FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 18 | MAY [illegible], 1916 | No. 4

FORTNIGHTLY | **ILLUSTRATED**

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Vol. 18 May 27, 1916 No. 4

THE OUTLOOK

A Typical Price Movement—Money—Business Conditions—Effect of High Commodity Prices—The Prospect

THE recent movements of the stock market have been typical of a general distributive period, even including the recent demonstrations of apparent strength, and this would continue to be true even if the rails should be carried somewhat above their previous high point, reached early in November, 1915.

The Broad Swings of Prices

THE average of 12 leading industrial stocks started from about 71 at the end of July, 1914, in the panic which occurred just before the closing of the Exchange, and rose to 134 in December, 1915. From that point it fell to 110 last April, and rallied to 121.5 May 15. All industrial averages have, of course, been greatly affected by the very wide fluctuations of a few stocks which rose to sensational figures in the wild markets of last year. Hence, we may say that, in a broad way, most industrial stocks are now not very much below their highest prices of 1915.

The rails have played second fiddle in these war markets. Their lowest point was reached in December, 1914, at about 87 for an average of 20 stocks. Nov. 4, 1915, they touched 108—an important rise, although dwarfed by the sensational performance of the industrials. In the April reaction of this year they sold below 100, and at this writing they have again risen within a fraction of 108, their high record of last November.

A Typical Movement

ALL this is strictly typical of culminating markets, in spite of the unusual conditions by which the movement has been attended.

A distributive market usually extends over a period of six months or sometimes a year, during which time a number of minor movements occur with prices ruling at a relatively high level. Toward the end of this period there is usually a secondary rally which brings prices near to the previous high point, some stocks going even higher than before. After this secondary rally is over the general tendency of prices is likely to be downward for some time.

For example, in 1902 the high point was reached in September at about 130 for rails and 68 for industrials. After a decline to 113 and 59, respectively,

a second advance followed to about 121 and 68 in January and February, 1903. Then came the bear market of 1903.

In 1906 the high point was about 139 for the rails and 102 for industrials in January. This was followed by a decline to 120 and 86 in the early summer—aided by the San Francisco earthquake and fire. In September and October prices rallied to 138 and 97. The bear market did not really begin until the end of December.

In 1909 the market culminated in August and September at about 134 for the rails and 100 for industrials. The reaction extended to 126 and 96, respectively, and the rally came at the end of December to about 130.5 and 99.5, after which the decline was almost continuous.

Money

THERE are a number of reasons for thinking that in the present case the market will not suffer from any immediate collapse, but may be maintained near the present level for a time longer, with occasional sharp upward movements in individual issues.

One of these reasons is found in the continued ease of the money market. When the previous bear movements above mentioned started, money was in each case at 6 per cent for commercial paper or higher. The money market is now surrounded by an entire new set of conditions. We have imported a great deal of gold from abroad, but, on the other hand, we are lending abroad—something we have never done before. The new Federal Reserve law has so decreased reserve requirements and has introduced so much possible elasticity into the currency that "tight money" is not likely to cut the same figure in future markets as it has in the past.

It would be absurd to suppose that stocks could go on rising indefinitely if money were to remain permanently at a low level of rates. If the money market does not pull the props out from under a bull market, something else will. Nevertheless, money is an element in the situation and it is reasonable to expect that prices can be better and longer maintained with commercial paper at 3¼ per cent than they could be with it at 6 or 7 per cent.

The steadily declining tendency of the banks' surplus reserves indicates that we are now on the road to somewhat higher money rates, but it is not likely that we shall reach that destination for some months to come, and it is probable that the rise in money when it does come will be comparatively moderate.

A Good Head of Steam

ANOTHER reason for doubting any immediate development of great weakness in the market lies in the fact that business is now proceeding under such a big head of steam. Earnings are big, everybody is busy, many manufacturers are booked up with orders throughout 1916.

True enough, that is just the time for the investor to realize on his holdings, because we are just about as prosperous as we can get. When a company is operating at capacity, with orders far ahead and earnings on its stock at record figures, it is highly probable that the price of the stock is also near its highest figures.

But that does not necessarily indicate an immediate decline. Such tremendous business activity as is now under way cannot immediately evaporate. In other words, it is quite possible that 1916 may roughly correspond to 1906, when stock prices were well maintained until toward the end of the year.

High Commodity Prices as a Check

IT seems probable that high commodity prices may in this case act as a check on any further increase of business activity in somewhat the same way as high money rates have done in similar instances heretofore. There is no doubt

that constructive operations are now being held back by high prices, just as they have often been held back by high money.

Take the price of steel, the most important material used in new construction. The movements in the average price per ton at Pittsburgh of basic steel products since 1901 have been substantially as follows:

High, 1902, $40.00	Low, 1904, $34.50
High, 1907, $41.00	Low, 1914, $31.00
High, 1916, $54.00	

Prices are nearly one-third higher than the best previous boom price, and 75 per cent above the price of 1914.

Everyone recognizes the fact that such prices for steel must necessarily be temporary. Hence the railroads and all manufacturers hesitate to buy steel except for immediate requirements or to cover actual orders in hand for their finished products.

Take building materials other than steel. They have risen from 30 to 50 per cent or even more. Under such conditions builders are unwilling to take the chance of putting up houses as a speculation, and the result is that we so far have no boom in building or in real estate.

The same is true of labor. The abnormally high cost of living forces the workman to demand higher wages and employers are obliged to recognize the justice of his demands. The rise in labor-cost checks new construction. There is also a notable decrease in the efficiency of labor, as is always the case when jobs are more numerous than men to fill them.

Copper is at a still more prohibitive level than steel, not to mention other metals which have a smaller use in constructive enterprises but are still of some importance.

Foreign Liquidation

WE mentioned above the possibility that railway stocks may exceed their previous high level. This is because a steady dribble of foreign liquidation has heretofore prevented them from fully responding to good earnings. This liquidation is far from being over, and we are likely for some time to come to see a balancing of the two forces—bullish earnings and foreign selling. Which will prove the stronger it would be most hazardous to attempt to predict, because of the degree to which the situation is rendered doubtful by the war.

Our belief is, however, that caution should be exercised in following any further upward movement in the rails from this level. The bearish items on the rails are well known—great need for new capital, rapidly rising costs, Government regulation. When the probable continuance of foreign liquidation for a time at least is added to the list, it seems to us that the effort to bull the rails is in danger of striking "hard sledding," in spite of big earnings and a heavy business in sight for the remainder of 1916.

The Present Prospect

WE believe that investors should realize on their holdings if they have not already done so. It is a mistake for the investor to try to catch the last few points of a great bull movement. When he tries to do that he becomes a speculator.

Without doubt there will still be good opportunities in special issues, but the buyer at these prices is taking hold at a high level and he must recognize the fact that the mathematics of his position are against him.

We are in a distributive period, when in a general way the shrewdest investors are selling to speculators or to other investors of less experience or judgment. Although there are no immediate indications of any considerable bear movement, it looks like a very poor time to load up with stocks. Letting the market alone is sometimes the most profitable course of action.

"High Finance"

True Finance and the True Financier—What He Represents and Strives to Accomplish—Some False Notions Discredited

Address by OTTO H. KAHN

(That the term "High Finance" in its legitimate meaning is directly opposite the popular conception of that phrase, was never more forcefully or ably expounded than in Mr. Otto H. Kahn's scholarly address before the American Newspaper Publishers' Association in New York last month and which we publish in part herewith. As one of America's foremost bankers Mr. Kahn is eminently qualified to speak for Finance, in its best sense, and his words are a rebuke to the uninformed or thoughtless who indiscriminately regard Wall Street as a place of iniquity and the term "financier" as synonymous with that of "financial buccaneer."—Editor.)

THE term "high finance" derives its origin from the French "haute finance," which in France as elsewhere in Europe, designates the most eminently respectable, the most unqualifiedly trustworthy among financial houses.

Why has that term, in becoming acclimated in this country, gradually come to suggest a rather different meaning?

Why does there exist in the United States, alone among the great nations, a widespread attitude of suspicion, indeed, in many quarters, of virtual hostility, toward the financial community and especially toward the financial activities which focus in New York, the country's financial capital?

There are a number of causes and for some of them finance cannot be absolved from responsibility. But the primary underlying and continuing cause is lack of clear appreciation of what finance means and stands for and is needed for. And from this there has sprung a veritable host of misconceptions, prejudices, superstitions and catch-phrases.

Never was it of more importance than in the present emergency that the people should have a clear and correct understanding of the meaning and significance of finance, indeed of "high finance," and that they should approach the subject calmly and dispassionately and with untroubled vision, for when the European war is over and the period of reconstruction sets in, one of the most vital questions of the day will be that of finance and financing.

The handling and adjustment of that question, although it primarily concerns Europe, cannot fail to affect America favorably or unfavorably, according to the wisdom or lack of wisdom of our own attitude and actions.

A great many things are being and have been charged in the popular view against finance, with which finance, properly understood, has nothing to do.

What Finance Does Not Mean

The possession of wealth does not make a man a financier—just as little as the possession of a chest of tools makes a man a carpenter.

Finance does not mean speculation—although speculation when it does not degenerate into mere gambling, has a proper and legitimate place in the scheme of things economic. Finance most emphatically does not mean fleecing the public, nor fattening parasitically off the industry and commerce of the country.

Finance cannot properly be held responsible for the exploits, good, bad or indifferent, of the man who, having made money at manufacturing, or mining, or in other commercial pursuits, blows into town, either physically or by telephone or telegraph, and goes on a financial spree, more or less prolonged.

What Finance Does Mean

Finance means constructive work. It means mobilizing and organizing the wealth of the country so that the scattered monetary resources of the individuals may be united and guided into a mighty current of fruitful co-operation —a hundredfold, nay ten-thousandfold

as potent as they would or could be in individual hands.

Finance means promoting and facilitating the country's trade at home and abroad, creating new wealth, making new jobs for workmen.

It means continuous study of the conditions prevailing throughout the world. It means daring and imagination combined with care and foresight and integrity, and hard, wearing work—much of it not compensated, because of every ten propositions submitted to the scrutiny or evolved by the brain of the financier who is duly careful of his reputation and conscious of his responsibility to the public, it is safe to say that not more than three materialize.

For the financial offspring of which he acknowledges parentage, or merely godfathership, he is held responsible by the public for better or for worse, and will continue to be held responsible notwithstanding certain ill-advised provisions of the recently enacted Clayton Anti-Trust Act which are bound to make it more difficult for him to discharge that responsibility.

Among other functions and duties, it is "up to him" to look ahead, so that such offspring may always be provided with nouriture, *i. e.*, with funds to conduct their business. If for one reason or another they find themselves short of means in difficult times, it is his task and care to find ways and means to obtain what is needed, sometimes at great financial risk to himself.

It is perhaps significant that almost all the railroad companies now in receivers' hands were among those for whose financial policy no one among the leading banking houses had a continuous and recognized responsibility, though I must not be understood as meaning to suggest that there were not other contributory causes for such receivership, involving responsibility and blame, among others, also on members of the banking fraternity.

Definition of "Financier"

Without going into shades of encyclopedic meaning, I would define, for the purpose of this discussion, a financier as a man who has some recognized relation and responsibility toward the larger monetary affairs of the public, either by administering deposits and loaning funds or by being a wholesale or retail distributor of securities.

To all such the confidence of the financial community, which naturally knows them best, and of the investing public, is absolutely vital. Without it, they simply cannot live.

Providing for the thousands of millions of dollars annually needed by our railroads and other industries, would vastly overtax the resources of all the greatest financial houses and groups taken together, and therefore the financier or group of financiers undertaking such transactions *must* depend in the first instance upon the co-operation of *the financial community at large.* For this purpose such houses or groups, associate with themselves for every transaction of considerable size, a large number of other houses, thus forming so-called syndicates.

But even the resources thus combined of the entire financial community would fall far short of being sufficient to supply the needed funds for more than a very limited time, and appeal must therefore be made to *the absorbing power of the country as a whole,* represented by the ultimate investor.

Now, let a financial house, either through lack of a high standard of integrity in dealing with the public, or through lack of thoroughness and care, or through bad judgment, forfeit the confidence of its neighbors or of the investing public, and the very roots of its being are cut.

I do not mean to claim that high finance has not in some instances strayed from the highest standard, that it has not made mistakes, that it has not at times yielded to temptation—and the temptations which beset its path are indeed many—that there have not been some occurrences which every right thinking man must deplore and condemn.

But I do say and claim that practically all such instances have occurred during what may be termed the country's in-

dustrial and economic pioneer period, a period of vast and unparalleled concentration of national energy and effort upon material achievement, or tremendous and turbulent surging toward tangible accomplishment, of sheer individualism, a period of lax enforcement of the laws by those in authority, of uncertainty regarding the meaning of statutes relating to business and, consequently, of impatience at restraint and a weakened sense of the fear, respect and obedience due to the law.

Campaign Contributions

To quote one instance out of many: Campaign contributions by corporations were a recognized and almost universal practice. The acceptance of such contributions did not shock the most tender political conscience. Now they are rightly forbidden, and what up to a few short years ago was not only not prohibited but sanctioned by the custom of a generation and more, is now made and considered a crime.

Then suddenly a mirror was held up by influences sufficiently powerful to cause the mad race to halt for a moment and to compel the concentrated attention of all the people. And that mirror clearly showed, perhaps it even magnified, the blemishes on that which it reflected.

With their recognition came stern insistence upon change, and very quickly the realization of that demand. That is the normal process of civilization in its march forward and upward.

And I claim that finance has been as quick and willing as any other element in the community to discern the moral obligations of the new era brought about within the last ten years and to align itself on their side.

As soon as the meaning of the laws under which business was to be conducted had come to be reasonably defined, as soon as it became apparent that the latitude tacitly permitted during the pioneer period must end, finance fell into line with the new spirit and has kept in line.

I say this notwithstanding the various investigations that have since taken place, nearly all of which have dealt with incidents that occurred several years ago.

And in this connection I would add that it is difficult to imagine anything more unfair than the theory and method of these investigations as all too frequently conducted.

The Appeal to the Gallery

The appeal all too often is to the gallery, hungry for sensation; the method to wash as much soiled linen as possible in public (even, if necessary, to make clean linen appear soiled), and to use a profusion of soap and water quite out of proportion to the actual cleaning to be done.

To innocent transactions it is sought to give a sinister meaning; what lapses, faults or wrongs may be discovered are given exaggerated portent and significance.

The chairman is out to make a record, or to fortify a preconceived notion or accomplish a preconceived purpose.

Counsel is out to make a record. The principal witnesses are placed in the position of defendants at the bar without being protected by any of the safeguards which are thrown around defendants in a court of law.

It may all be legitimate, according to political standards, but it is not justice, and what of benefit is accomplished could equally well be obtained; whatever of guilt is to be revealed could equally well and probably better be disclosed, without resorting to inflammatory appeal and without, by assault or innuendo, recklessly and often indiscriminately besmirching reputations and hurting before the whole world the good name of American business.

I do not know of any similar method and practice and spirit of conducting investigations in any other country.

By all means let us delve deep wherever we have reason to suspect that guilt lies buried. Let us take short cuts to arrive at the truth, but let us be sure that it is the truth, and not a mongrel thing wearing some of the garments of truth, but some others, too, belonging to that trinity of unlovely sisters, passion, prejudice and self-seeking.

Gathering of the Wall Street clans before the New York Stock Exchange (on the right) for participation in the monster "Preparedness Parade" in which 145,000 persons took part on May 13th. Note the military band tuning up in the left center of the picture and the streamers of ticker-tape overhead let loose from office windows by enthusiastic and patriotic brokers. The white placards at the right gave the numbers and titles of the different sections from the financial district.

Who Is Holding the Stocks?

Investors or Speculators?—Some Significant Facts

By ERNEST P. WILLIAMS

EVERY great bull movement in stocks ends in a large transfer of holdings from investors to speculators at a relatively high range of prices.

As to this fundamental fact there can be no doubt. Investors hold their stocks primarily for income and therefore do not sell simply because prices decline. On the contrary, considered as a class, they add to their holdings after prices fall. Speculators, as a class, add to their holdings as prices rise and when prices fall some of them become discouraged and sell.

Speculative holdings are therefore the largest at or near the highest plane of prices. So long as prices continue to rise new speculative buyers are attracted and some of those already in the market "pyramid" their profits by buying more stocks. Some are wise enough to take their profits but their selling is more than counterbalanced by new speculative buying.

Snowball of Speculation

In this way the snow-ball of speculative holdings keeps rolling up until it becomes too heavy to permit any further rise. Then speculators try to sell out on each other. The result is that prices fall. The decline is interrupted by many rallies and may take a long time, but it is not finally checked until investors are again willing to come in and carry their share of the load, and that will not happen until prices reach a relatively low level.

In a general way most speculators understand this process. They recognize that prices will not advance after the public is "loaded." The difficulty is in finding out *when* this large transfer of stocks from investors to speculators has taken place.

In regard to three important corporations facts and figures have recently become available which shed important light on the above question.

Steel Common

At the end of March there were 41,910 holders of record of the common stock of the U. S. Steel Corporation, against 56,825 a year previous, or a decrease of over 26 per cent. This is the greatest decrease in holders of Steel common that has ever occurred in a single year since the organization of the company.

The reason for the decrease is that a far greater quantity of stock than usual is now held in large blocks in the names of brokerage houses. One New York Stock Exchange house has considerably over 100,000 shares. Another has 60,000 shares and a third nearly 50,000. Many others have from 10,000 to 25,000 shares each. Altogether it is practically a certainty that more than half of the total common stock outstanding is registered in the names of brokerage houses or of institutions which are carrying the stock for clients.

In March, 1914, foreign holdings of Steel common were 1,285,636 shares. On March 31, 1916, these were reduced to 634,469. The first figure represented over 25 per cent of the total outstanding, the second about 12½ per cent. Foreigners have sold over half their holdings, or one-eighth of the total common capitalization. And this process of foreign selling still continues. Of course, nearly all the registered foreign holders of the stock were investors.

These figures make it clear that there has already been an extensive shifting of Steel common from investors to speculators.

New Haven

Not less interesting have been the changes in the ownership of New Haven stock within the past year.

Taking the record of holders of 1,000 shares or over, we find that 84,235 shares are now held by brokerage or investment houses against 54,016 a year ago.

On the other hand the number of shares held by corporations, estates, insurance companies, etc., has decreased 42,554 shares within the year. This is considerably more than the increase in brokers' holdings. The difference is covered by the increase in the number of shares held in large blocks by various individuals. Considering only holders of 1,000 shares or more, this increase amounts to 7,620 shares. There has undoubtedly been an increase in the holdings of brokerage houses in less than 1,000 share lots which would cover the balance of investors' sales.

For instance, the Pennsylvania Railroad now has only 48,125 shares against 53,025 a year ago; American Express Co. 30,324 against 50,324; Yale University 1,380 against 3,155; Estate of Cornelius Vanderbilt none against 5,420; Springfield Fire & Marine Insurance Co. none against 6,000, and so on.

On the other side of the ledger, one big brokerage house has 12,500 shares against none a year ago; another 2,674 against 837; a third 3,099 against none, etc.

This confirms the testimony of Steel common in an even more emphatic way. Investors have been getting out of their New Haven stock and speculators have been taking it.

Practically the same thing is shown by a list of the principal stockholders of the Boston & Maine Railroad. Without going into details, about a score of the leading brokerage and investment houses now have 16,301 shares against 5,952 a year ago.

The Industrials

In regard to most prominent corporations it is not practicable to get such detailed figures, but a tour through the Wall Street district and conversations with numerous brokers and their employees convince me that the general tendency has been everywhere the same.

It is in the war stocks that the change has been the greatest. Two years ago Crucible Steel was almost unknown to the brokers. They had hardly a share of it on hand. Now they have an immense amount of it, in big blocks, little blocks and medium sized blocks.

In American Locomotive, Baldwin Locomotive, Distillers, Industrial Alcohol, Mercantile Marine, Westinghouse Electric, etc., the change has been very great. Brokers are carrying large quantities of these stocks.

The same is true of the motor stocks. Chandler, Maxwell, Studebaker, Willys-Overland, Chevrolet and Saxon are constantly flowing from one broker to another in very large volume. These issues have become speculative favorites and their shares are largely in the hands of the public.

Metal stocks generally are in a similar position to U. S. Steel in this respect. American Smelting, Anaconda, Butte & Superior, Colorado Fuel, International Nickel, etc., are now frequent visitors from one brokerage house to another.

The Railroads

In most of the railroad stocks the change has been smaller during the year. New Haven and Boston & Maine, mentioned above, have been in an exceptionally unfavorable position because of their great decrease in earnings as compared with past years. This has caused many of the conservative investors who have been holding them for years to get out of them and into something better. The increase in speculative holdings of those railroads which are showing heavy earnings has not been so large.

Nevertheless there is an increase in the number of railway certificates afloat in the Street. There is more Reading in the brokerage houses and more New York Central, these stocks having been speculative favorites recently.

Taking the rails as class the increase in brokers' holdings has been much smaller than in the industrials, but there has been an increase.

Probable Effect

That the general effect of this situation is to weaken the structure of the market cannot be doubted.

By this I do not mean that a minor upward movement would be impossible under these conditions. It would be per-

fectly possible for the big speculative interests to carry enough of the floating supply of stocks to relieve the market of any excessive burden and to mark up prices sharply for many issues. They can in fact be counted on to do this provided they see a good prospect of getting enough more of the public into the market at the advance to enable them to realize on their own holdings.

Any such advance, however, would be limited and it would not be likely to carry the general level of the market much above previous records, because a new level would bring renewed selling by investors who are not satisfied to let go of their holdings at the record prices of last fall.

That is the reason why it is rare that any bull market takes a second lease of life after it has once culminated. The investor who has carried his stocks over the first big up-swing and has subsequently watched prices sag lower and lower for several months, is very likely to chide himself for not having sold when he had such a good opportunity. If he is given a second chance at or near the same high level, he is less likely to let it slip away from him.

The result is that any attempt to renew the bull market and carry it to still higher levels generally runs afoul of a heavy load of stocks before it is carried very far. So we get the familiar phenomenon of numerous advances that have every superficial appearance of a new bull market, but suddenly collapse without warning just when the inexperienced operator believes they are only fairly begun.

Response to News

When the floating supply of stocks in the hands of speculators is small the market advances easily and sharply on any favorable news announcement—in fact, it may even advance after bear news, because its failure to decline on the bear news demonstrates its inherent strength and so induces new buying.

But when the floating supply becomes larger prices make less and less response to bull news.. Many holders of the steel and copper stocks, for example, are now wondering why prices are so indifferent to what appears to be an extraordinarily bullish situation in those industries. The reason is that the market now has a heavier burden to carry. It can be bulled on bull news, but not so easily as it could be when prices were lower and when investors were still holding a greater proportion of their stocks, and advances are now more quickly checked.

While this situation does not preclude the possibility of a minor upward movement of considerable extent, it makes it much more hazardous to follow such a movement because it is in danger of "petering out" at an unexpected moment.

It is usually the case, also, after the first climax of a bull movement has passed, that many investors are willing to realize on any sharp advance without waiting for prices to return to their previous top. Such investors perceive that they made a mistake in not selling sooner and since they still have good profits on their holdings they prefer to close on a moderate advance rather than run further chances of seeing prices slip away from them.

Consequently the burden of stocks the market has to carry is likely to increase slowly on a series of minor swings up and down, even though there is no sustained advance toward the previous top.

As this is written a minor bull movement in the railway stocks is in progress, which will be likely to result in a further transfer of stocks from investors to speculators. This does not imply that there is no buying by investors. There is nearly always more or less investment buying by those who purchase for interest only and do not attempt to take any advantage of high or low levels of the market.

Heretofore most of the rails have not been so widely distributed in the Street as the industrials. It seems probable that a strong effort will be made to effect a wider sale of railway stocks to speculators before any important bear move sets in.

MONEY-BANKING-BUSINESS

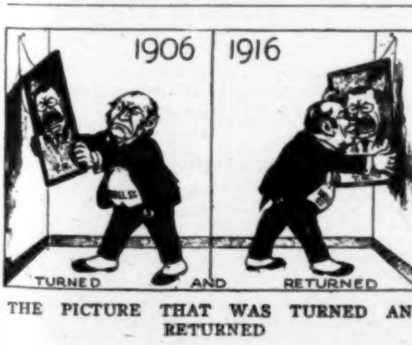
What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Steel Industry After the War

A STEEL manufacturer of international reputation was asked recently by the president of a New York bank how peace in Europe would affect the steel business in the United States, says the Boston *News Bureau*. The steel man replied that he could not answer that question in a few words. He took some time for his answer and wrote it out. It is now in the banker's hands and covers many typewritten pages. The gist of the answer was that the steel industry in this country will witness an evolution after the war stops, but that the effect, as a whole, will be very beneficial. The steel companies which turn out diversified products will not experience many difficulties, according to this report. They will find an increased demand for some products and a very poor market for others, and will find it easy to adjust their products to the demands. There will be a sudden falling off in the demand for carbon or hard steels and a great increase in demand for soft steels. All the workshops and important buildings in Europe will be reconstructed and steel will be the dominant material for construction.

The first chapter in the steel man's answer was based on the assumption that the Germans, if defeated, would not destroy in retreating the French and Belgian factories and steel mills now in their possession. Also, that the English, French and Russians, if successful in invading Germany, would not destroy the German steel mills. Assuming that the factories of one or more nations were destroyed, the steel man reported, the demand for steel in this country would be enormous. In this instance it was cited that pig iron, after the Franco-Prussian war, doubled in price in England and that furnace coke trebled in value. Another chapter was devoted to the needs of the American railways. The steel man used the estimate of J. J. Hill that the railways of this country ought to spend $5,000,000,000 to get abreast of the rising transportation requirements for the country's business. Eventually the tide would turn in favor of railroad improvement, the expert predicted, and this would mean an additional stimulus in the steel industry.



THE PICTURE THAT WAS TURNED AND RETURNED

"Financial System Good for Any Strain"—D. B. Forgan

DAVID B. FORGAN, president of the National City Bank of Chicago, recently delivered an interesting address before the Cleveland Chamber of Commerce and discussed the part which the Federal Reserve System plays in National preparedness. Mr. Forgan said in part:

"Before the establishment of the Federal system we had no monetary system in America. We then had no method of preventing panics. When we attempted to prevent panics our very effort brought panics down on our heads. As this country was the only country in the world where periodic panics took place, it seemed to thinking men that there must be something radically wrong with our system. Even with this growing feeling there was nothing done in the way of law-making for fifty years.

"Then the Federal Reserve Act was passed. It is my opinion that every good point in the new law was found in the fourteen volumes published as the report of the Monetary Commission.

"We are having most prosperous times and we are going to have good times. Panics are passed. Our financial system will stand any strain. Even if the war ends, it will stand the strain. Our system is now more on a par with the systems of other countries. We know how all Europe and England have stood the strain, with tremendous demands during war."

"Opportunities and Responsibilities Proportionately Increased"—J. E. Gardin

THIS country is not going to supplant England as the financial centre of the world, remarked John E. Gardin, vice-president of the National City Bank of New York in a recent address to the New Jersey Bankers' Association. Our opportunities will be enlarged and our responsibilities proportionately increased. Our national horizon will be broadened and our financial activities will become international in their scope, but London has been the money market of the world for centuries, and the pound sterling has been the common denominator of values during the period of modern history. We must not deceive ourselves with the idea that the dollar is henceforth to be the medium of international exchange.

Another idea which has become quite firmly fixed in many minds is that our chief competitors in Europe will be so badly crippled by the war that their competition hereafter will not need longer to be feared. But let us remember this one thing—factories and workshops may be destroyed; industrial organizations may be disrupted and the ranks of skilled workmen may be depleted, but there still remain the knowledge and ability to produce. You may destroy every vestige of a manufacturing plant, but the man who designed it and built it can create another, and the man who developed the industrial machine which outfitted it has the ability to assemble a new one. More than this, the lessons of the war will have added to the knowledge and we may reasonably expect better organization, better discipline, and greater efficiency in the arts of peace as the result of the teachings of war.

Liquidation of American Securities

REPORTS of English insurance and trust companies and banking houses, presented at annual shareholders meeting since January 1, give an idea of the extent of the liquidation of American securities in England in response to the Treasury's call, according to *The Financier*. The estimated liquidation of twelve of these companies totals £20,174,000, or $100,870,000. Many other companies state that they have sold all or a large part of their American holdings in order to turn their funds toward the English war loans.

The largest liquidator reported is the Prudential Assurance Company, Limited, which turned over to the Bank of England at one time American securities of a nominal value of £8,750,000 ($43,750,000). The following report of the transaction, made by the chairman of the company, Thomas C. Dewey, is interesting:

The two other largest liquidators reported are the Scottish Provident Institution, which sold up to January 1 £1,500,000 of American bonds and has sold to date £2,500,000 ($12,500,000), and the Scottish Widows Fund, which has disposed of £3,000,000 ($15,000,000).

Others follow: Scottish Amicable Life Assurance Society, £1,000,000; Sun Life Assurance Society, £1,000,000; Railway Debenture and General Trust Company, £512,000; Mercantile Investment and General Trust Company, Ltd., £685,000, or 30 per cent. of original American holdings; Law Union and Rock Insurance Company, Ltd., £945,000; Equitable

DANIELS IN THE LIONS' DEN

From Puck

Life Assurance Society, £500,000; United Kingdom Temperance and General Provident Institution, £1,000,000, or four-fifths of its original holdings.

Large Increase in New Corporations

ACCORDING to the returns specially compiled by *The Journal of Commerce,* the incorporations in April of companies with a capital of $100,000 or over involved $223,908,900. In the same month a year ago the total was $77,466,000. For March this year it was $261,627,000.

The distribution of the large companies among the various States last month was as follows:

Delaware	$87,800,000
New York	29,100,000
Pennsylvania	26,000,000
Maine	22,750,000
New Jersey	1,000,000
Total Eastern States	$166,650,000

The corporations with a capital of $100,000 or over, but under $1,000,000, were divided as follows:

Delaware	$24,870,000
New York	14,652,900
New Jersey	6,915,000
Maine	4,971,000
Massachusetts	2,750,000
Pennsylvania	1,375,000
Total Eastern States	$55,533,900
Other States	1,725,000
Grand total	$223,908,900

N. Y. To Be Metal Trade Center?

A RENEWAL of the efforts to revive trading in all metals on the New York Metal Exchange, thus bringing that institution back to its former prominence, has been started. The metal trade is greatly interested in a letter sent to William C. Redfield, Secretary of Commerce, by the *Daily Metal Reporter,* in which an appeal was made for assistance to overcome the attitude of interests who are opposed to the resumption of active trading in metals on the New York Exchange and which said in part:

Strange to say, although the United States is the greatest source of production for copper, lead and spelter, it has for the last eight years permitted London to dictate at what prices these metals shall be sold, sold not in England, mind you, but at what price they shall be sold right in these United States.

Shall they (interests opposed to active trading on the New York Metal Exchange), because their true interests are presumably in London or Berlin, be permitted to deliver to either of these two capitals the welfare of America's mines and metal industry, bound hand and foot? Shall they be permitted, when the present war is over, to say to whichever side is victorious, "We have prevented American metal producers from

CAN UNCLE SAM REACH HIM?

coming into their own. Resume where you left off, and tell the American producers, as you have done before the war, at what price they may be graciously permitted to sell their copper, lead and spelter?

Municipal Bonds in April

APRIL sales of municipal bonds were large, owing to the $55,000,000 issue successfully negotiated by New York City, according to the *Daily Bond Buyer.* This table shows sales of permanent state and municipal bonds:

	April.	Four months.
1916	$82,784,283	$205,285,781
1915	27,096,703	206,214,201
1914	93,712,104	248,553,428
1913	20,057,324	100,363,505
1912	43,044,046	119,728,843
1911	29,014,595	163,707,266
1910	21,896,025	119,050,918

1909	30,304,494	129,068,404
1908	29,040,717	120,939,588
1907	21,159,008	84,181,026
1906	8,199,344	84,076,990
1905	39,229,891	83,830,605
1904	33,131,999	86,347,160

Diverse Expert Financial Opinions

First National Bank of Boston.—During the past month the still rising tide of business reached an almost imperceptibly higher level. In fact, the phrase "maximum business," now being used freely, accurately portrays the situation. While it is true that extremely high commodity prices and diplomatic tension are acting to a slight degree as a brake on greater business activity, the truth is that we have about reached our physical limit. Our productive machinery is already overtaxed, our transportation systems, both land and water, are doing their utmost, and above all, labor is producing all we can reasonably count upon for the balance of the year. Trade figures in numerous instances recording somewhat increased activity support the view that the upward trend in business has reached its high point.

Hayden, Stone & Co.—We have heard the opinion recently expressed by an astute student of conditions that the situation was still intrinsically sound because there had, as yet, been no wide distribution of the profits of this period. We rather take exception to this view. Perhaps the manufacturing profits have not been fully distributed, though even here a substantial beginning has been made, but we do feel there has been an equivalent distribution in the shape of the issue of enormous numbers of new securities, many of them of more or less doubtful intrinsic value. The capitalization and distribution of new combinations on the basis of temporary war-time earnings is bound to bring about in time its inevitable reaction. There are securities on the outside market, selling for scores of millions of dollars, which, a few years from today, will command but a small fraction of their present price; many are selling today at quite respectable figures that will never be heard of again. There is a great economic loss to be liquidated in this operation.

J. S. Bache & Co.—With the state of things thus favorable in nearly every particular, and with prices at comparatively moderate level, it would be strange if investment and speculative funds did not turn towards the security market with considerable purpose. That they have done so has been especially manifested this week, and whereas the beginnings of the bull market a year ago were evidenced by upflashes in prices, first in the more powerful war stocks like Bethlehem Steel, followed by intermittent lighting up of others here and there, and then by a general upward movement in this class; so now we have the indication that this time the movement will be on the basis of increasing earnings in the more substantial issues, and the upshoot of Reading is this time the signal.

Such substantial industrials as Steel, with its year's earnings already practically assured at high percentages, will probably join with the railroads in the upward movement.

Tucker, Hayes & Bartholomew.—Many people are waiting to purchase stocks on a break, which in itself is insurance against any drastic weakness, and if nothing particularly unfavorable happens these same people would easily afford the stimulus to start the market on a substantial upward movement.

Merrill, Lynch & Co.—Stock prices continue to decline slowly, the recovery after each break not reaching quite so high a point as was

ANOTHER RARE BIRD—HE WON'T SAY "YES"

—Bradley in the Chicago *Daily News*

touched before. Comparison of present prices with those of six months ago is a striking commentary on the judgment of the public either then or now, for practically all of the common stocks usually classed as speculative are in better position now than they were then. Bank rates are stiffening a trifle, but we think the effect of this is exaggerated by statisticians, as the interest brought in by our foreign advances will be a new factor tending to offset this. In short we are still bullish on the United States, even with Mexican troubles on, and we do not believe that peace in Europe is imminent to let in competition from the belligerents. While the public certainly overvalued the industrials in late 1915, we believe it is rather undervaluing them now, and we are sure that at no time has the investor appraised the better coppers, the merchandising enterprises (particularly the five and ten cent stores, which are practically immune from hard times) or shipping and shipbuilding enterprises, highly enough.

Keane, Zayas & Potts.—It did seem for a time as if labor's demands would put a brake upon our manifested activities. But the threatened trouble in the coal regions has been averted by an agreement the strikes in the steel mills in and about Pittsburgh have been settled or are in process of settlement, and, finally, labor unionism has informed itself that public sentiment will not at this time permit any attempt to tie up our transportation systems, the result being that the brotherhoods of railway employees are displaying a willingness to substitute reasonableness for radicalism in their demands—which is all that is necessary to insure harmony in that field.

With the settlement of these wage disputes the way will be clear for the further speeding up of our industries, made necessary by a vast accumulation of orders. The world now wants our manufacturers as well as our raw materials, and our mills and factories are booked well into 1917 not alone for iron and steel, but for cotton and woolen goods, for glass, crockery and hardware, for automobiles and musical instruments, for shoes and harness and saddlery, for canned meats and fish and fruits—in fact, for everything we make, from linoleums to locomotives, from ash toothpicks to aeroplanes, from matches to machinery.

Greenshields & Company (Montreal).—A young agricultural country with probably the greatest undeveloped accessible resources of any country on earth has little to fear beyond temporary inconvenience from even a world-wide industrial depression. Having accumulated some capital goods in the shape of an adequate plant to carry on a large volume of production and offering the most attractive opportunity in the world for settlement, Canada has more potential recuperative power than any country.

In short, while it is not wisdom to allow native optimism to blind ourselves to the fact that we must take our part in the necessary aftermath of war, it is equally unwise and unnecessary to view the future with dismay. Perhaps the worst of an eventful depression will not be any more acute than the situation we were in immediately prior to the war.

Pettigrew, Bright & Co.—We believe in a watchful course, as market developments are likely to come short and sharp—over night, and we are not out of the woods, internationally, by any means—only the outlook is manifestly improved.

Knauth, Nachod & Kuhne.—There continues an excellent demand for good bonds, showing a fair investment yield. Were it not for the uncertainties in the foreign situation, the probabilities are that the best investment issues would sell considerably higher than they now do. The investment inquiry for some issues has enlarged in almost the proportion that the demand for speculative securities has declined. This movement has been all the more remarkable when it is judged in connection with the continued liquidation by London. The foreign selling of American securities has been an important factor for months past, representing in the aggregate the largest valuation ever touched by such a movement. Yet bond prices have not only shown excellent resistance, but in many instances have advanced steadily in the face of this liquidation. A large amount of nancing by American corporations remains to be done, but this borrowing will be arranged for from time to time to occasion demands. There have been various rumors of new applications for loans to the belligerent governments, but nothing has developed to indicate that any large applications, involving a public offering, were actually pending. Intrinsic conditions are sound, the country is making steady progress and should favorable developments in the European situation be reported, there could easily develop a much better response to favorable news than the securities market has thus far reflected.

Sheldon, Morgan & Co.—There is no doubt that the two questions most in the minds of financiers, brokers and investors are in regard to the length of the war and as to what will happen in this country when the war ends. So far one man's guess is as good as another's on how long the war will last. The three great problems then will be the present war market basis of wages; the certain effort of European nations to compete for a share of the United States gold supply, either by selling their products cheaply or by offering loans at high rates of interest, or both; and the struggle of American merchants to retain a considerable percentage of the present phenomenal and abnormal export trade. On the solution of these problems depends the answer to the question as to what will happen in the United States when the war stops. And the answer is pertinent in a stock market, where industrial shares comprise such a large proportion of trading activity.

The Business Situation

Rise in Prices Checked—Bank Clearings and Railroad Earnings Still Big—Failures Very Small

IT is a question whether the steady advance in commodity prices, which has lasted ever since the war began, has not now been checked. Bradstreet's Index showed a fractional decline for May, after continuous advances since last September and a steady general upward trend since November, 1914. The price of steel also has come practically to a standstill near its highest level. The price of iron has remained nearly stationary since Jan. 1, and is now beginning to soften a shade. While copper continues to rise, its advance for the last three months has been much slower than previously and London prices have recently shown a reactionary tendency.

It would be difficult for general business to become more active than it is at present, for our principal industries are operating very close to capacity. The high plane of prices and the impossibility of getting early deliveries have combined to check the domestic demand in many directions. The railroads, for example, are not doing much new construction because of the extraordinary prices for both materials and labor. A reaction in prices, however, might in the end benefit business, for it would bring into the market many buyers who now hesitate to buy "at the top."

For this reason a moderate decline in the level of prices would not be likely to have any immediately depressing effect on business activity. So long as the money market continues on a 3 to 3½ per cent basis business will probably remain good even though prices decline somewhat.

Bank clearings are not quite up to the maximum level of recent months, but they have not fallen off enough to show any important change in the tendency. Building operations have not kept pace with the great expansion in most other lines. High prices for material are interfering with the progress of this industry. The very small failures testify to the prosperity of business men generally.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits New York Clearing-house Banks.*	Per cent. Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
May, 1916	3¼	5	13.9	96.0	11.75	4,190
April, 1916	3¼	5	14.7	94.0	11.75	4,013
March, 1916	3⅛	5	15.5	92.9	11.37	4,008
May, 1915	3⅝	5	20.4	94.7	9.78	3,337
May, 1914	3⅞	3½	27.4	94.5	8.62	2,585
May, 1913	5⅝	4¾	26.6	100.0	9.14	2,729
May, 1912	4	3½	26.2	97.5	9.27	2,693

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U.S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures, Total Liabilities (Thous'ds)
April, 1916	19,314	7,691	......	......	56,271	15,747
March, 1916	20,679	8,131	Ex. 997	Ex. 196,260	54,938	17,315
April, 1915	15,013	6,201	Im. 15,389	Ex. 134,169	49,380	38,734
April, 1914	14,899	6,352	Im. 3,053	Im. 11,209	48,934	19,127
April, 1913	14,289	6,233	Im. 1,003	Ex. 53,618	54,746	19,425
April, 1912	14,967	6,137	Im. 2,075	Ex. 16,729	65,012	15,528

	Wholesale Price of Pig Iron.	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co. Unfilled Tonnage (Thous'ds).†	Price of Electro. Copper. Cents.	Winter Wheat Condition.	Babson's Bond Average.
May, 1916	17.90	....	....	30.7	82.4	91.3
April, 1916	17.90	3,228	9,829	29.3	78.3	91.4
March, 1916	17.90	3,338	9,331	27.5	...	91.6
May, 1915	12.40	2,116*	4,162*	18.5	92.9	89.2
" 1914	13.75	2,270*	4,277*	14.0	95.9	93.0
" 1913	14.94	2,752*	6,978*	15.4	91.9	92.5
" 1912	14.15	2,375*	5,664*	16.0	79.7	97.6

*April. †Last day of mo.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

V. The Corporation as an Element in Wall Street

By G. C. SELDEN

SINCE all stocks and bonds are issued by corporations, there would be very little to Wall Street without the corporation. It is the corporation which makes possible the centralization of capital, the accumulation of great funds in a single organization and the unified control of big enterprises. Hence without the corporation the stock and bond markets would be non-existent, the money market would be much more restricted and even the foreign exchange market would be somewhat affected.

About the only department of the Street which would be uninfluenced by the abolition of corporations would be the commodity markets. At present a great deal of business is done even in cotton, grain, coffee, copper, etc., by corporations, but the corporation is not a necessary element in the handling of those lines.

Origin of the Corporation

The idea of creating "an invisible, intangible person existing only in contemplation of law," endowed by the state with the right to transact certain business and limited by a charter, originated in Rome, as did most of the devices of modern commerce.

Under the Roman law three or more persons might organize a corporation. Apparently each person must have had something to show for his part in the ownership, corresponding roughly to the stock certificate of our times, but exactly what it was history has not recorded. From the fact that the Roman law had so little to say about corporations it is natural to conclude that such organizations did not enter largely into the business life of that day.

The business corporation as we now know it is of very modern growth. In deciding a case in England in 1770, Lord Mansfield said of the stock certificate: "This is a new species of property arisen within the compass of a few years." The point to be decided in that case was whether a stock certificate was money and Mansfield held that it was not. The very nature of the suit shows that at that date stock certificates lacked definite standing in the courts.

Hence the corporation as an important element in business made its appearance almost simultaneously with the birth of the United States as a nation, and it is here that corporations have made the greatest growth and have been subjected to the least legal control. This has been due largely to the division of powers between the states and the Federal Government. As each state has the right to charter corporations, the states have competed with one another for the business and have therefore been more and more liberal in the powers granted by charter. Of late, however, it has appeared that the corner had been turned in this growth of liberality on the part of the several states, and the Federal government, through its control of interstate business, has been taking an increasing hand in corporation control.

The Corporation a Necessity

While there is now, and always has been in this country, a good deal of antagonism toward the corporation because of frequent abuses of power, yet the great majority of the people recognize the absolute necessity of some such form of business organization.

It is difficult to imagine any way in which the Pennsylvania Railroad, for example, could be managed except as a corporation. To build up such an enterprise a vast amount of capital must be drawn together and welded into a practical, workable unit. Each contributor must have something to show for his part in the enterprise. The business must be controlled by officers, for the number of partners is too great for per-

sonal consultation in regard to the policies of the company. The powers of these officers, as well as the rights of the partners, must be established by law, as otherwise the officers would be too nearly omnipotent for the good of either the community or the stockholders.

Also, the business of such a company is of necessity permanent. The death of a partner cannot be permitted to disturb the continuity of the enterprise. Business policies must be laid out far into the future, with a view to the successful development of the company and without regard to the immediate financial necessities of any individual. In the building of the Pennsylvania tunnel and terminal in New York City the officers of the company were looking ahead half a century or more, and that far-sighted, impersonal view is absolutely necessary for the best results, no matter whether we consider the interests of the stockholders or of the public.

The Holding Company

Among the powers frequently granted by the states to corporations has been that of buying and holding the stocks or bonds of other corporations. Out of this arose the holding company—a corporation formed for the purpose of owning and controlling other companies. Around this plan a tremendous amount of litigation has centered, but the holding company still exists and is practically undamaged in its essential features.

The holding company is not strictly necessary for the transaction of business, as is the corporation. We could get along very comfortably without it. But it has substantial advantages when its great powers are not abused. The principal advantage has undoubtedly been the greater facility with which a big business unit can be built up.

Perhaps there is a point beyond which the growth of the business unit brings no additional advantage, though that remains to be proved. The fact that some widely extended corporations have shown a tendency to fall to pieces of their own weight does not necessarily show that they were too big—the trouble may have been that their managers were not big enough. But the fact has certainly been demonstrated that as a general rule the big business has advantages over the little business in permanency, in economical operation, in distribution of risks, and in obtaining and being able to pay for competent managers.

The holding company is especially useful in handling doubtful or highly speculative undertakings. For example, take a dozen small companies each of which is engaged in developing a prospect for a gold mine. Each of these dozen different enterprises is necessarily doubtful, for the prospect may not prove to be a good one. Even after the mine is in operation the supply of paying ore may give out at any time. Hence investors hesitate to put their money into it. But when the twelve small companies are combined under the ownership of a holding company the risks are greatly reduced. If one mine proves a failure another may do twice as well as expected. If a vein "pinches out" at one point a still better vein may be located elsewhere. The stockholders in the holding company get the benefit of the principle of averages and their investment is therefore much more secure than if placed in any one mine alone.

The same principle applies to the public utility holding company, which operates, perhaps, street railways, gas and electric companies in twenty different cities. If the gas business is less prosperous than expected, the electric branch of the undertaking may be more so. If one city fails to flourish, another may grow with unexpected rapidity. The investor is safeguarded against accident and his average yearly returns are more secure.

There are two principal objections to the holding company. One is that minority stockholders in subsidiary companies may not get a fair deal, because the interests of the holding company as a whole may not exactly coincide with the interests of minority stockholders in the various sub-companies. The other is that the multiplication of corporations like wheels within wheels makes dishonest management easier to conceal.

Whatever tends toward simplicity of organization is best and likely to prove

most permanent. For that reason a direct merger of several small corporations into one larger one, where that is possible, is undoubtedly better than to employ the holding company device. This is the direction in which corporation organization is now tending, but such a merger is often difficult to bring about, and the device of the holding company may sometimes permit a beneficial enlargement of the unit of business operation which otherwise could not be obtained. In many cases the holding company comes first, as the only possible way at the time to get the benefits of larger operations, and is followed later by an outright merger when that becomes feasible.

Stock Watering

When a corporation is formed the question at once arises how much stock shall be issued. Since each share of stock represents nothing except a *fraction* of the whole enterprise, it really makes no difference how many are issued. If the business is worth $1,000,000 and only 1,000 shares are issued, then each share is worth $1,000; if 10,000 shares are issued, each is worth $100; and if 100,000 shares are issued, each is worth only $10.

The trouble arises when each share is given a *par* value—a term which as applied to stocks, really means nothing at all. If in the above case 100,000 shares were issued having a nominal par value of $100 each, then, according to the current use of the terms, nine-tenths of the stock would be "water"—that is, would represent no tangible value. But the real mistake is in giving the shares a par value of $100 when they represent only $10 each, and if the investor understands—as most investors do if they stop to think—that the term par value does not pretend to represent the actual value of the property behind the stock, then he is not deceived, and the question of how many shares of stock are issued is merely one of bookkeeping.

In practice it is generally impossible to say just what value any share of stock represents, because the worth of the whole enterprise does not necessarily depend on the value of its tangible assets. A corporation owning $1,000,000 worth of property may not be able to earn anything for its stock, while another owning only $100,000 worth may pay 50 per cent yearly on its stock.

For the above reason it is gradually becoming the custom to assign no par value to an issue of common stock. Each share then purports to be just what it is—a specified fraction of an enterprise, of unknown value. It is the business of the investor to decide for himself what that value is.

It is curious how often the public gets excited about the wrong thing. Probably the majority of the people consider "watered stock" the crowning iniquity of Wall Street; yet the whole trouble lies in the highly respected term "par value." A bond or a note has par value, because it represents a specified amount of money to be paid at a definite time. A share of stock has no par value because it represents nothing but a fractional ownership in the company, which may be worth at some times more, at other times less.

Preferred Stock

Since a stock certificate represents nothing but a share in the business, why do we have two classes, preferred and common? The answer is, to accommodate different kinds of investors. Investors wish to take differing degrees of risk for corresponding degrees of profit. One wants merely his interest and his original money back in two, ten or fifty years; he buys a bond. Another is willing to take a direct share in the business, but wants to be reasonably sure of his interest; for him the preferred stock is created, giving him a higher interest than the bond but limiting the interest rate to a fixed amount yearly, so that he is excluded from the higher rate of profits that the common stock may some time earn; a third is willing to take the greater risk of the common stock in the hope of participating in the greater profits which may accrue to it.

It is a somewhat common practice for a corporation to issue preferred stock up to the estimated value of its tangible property (after deducting the amount of the bonds outstanding), thus leaving the

common stock to represent only good-will, patent rights, and probable or possible earnings above ordinary interest rates. Then if the business turns out as well as expected the common stock gradually becomes more and more valuable; but if results are disappointing the common may never have any real value.

There need be no serious objection to this method of organization so long as the buyer of the common stock knows what he is getting, but there is a phase of dishonesty in engraving "Par Value $100" on stock certificates of this character. At best it can only mean that the promoters hope the stock will some day be worth $100 a share. And yet Congress is considering a law to prohibit the issue of stocks without par value!

Limited Liability

A partner in a business is personally liable for all its debts. A small partner—say the owner of one share—in the Pennsylvania Railroad could hardly take this risk. Hence it is necessary that the liability of stockholders be limited to the amount paid in. The worst that can happen to them is to lose their investment.

On the other hand, this evidently increases the danger of foreclosure and reorganization during periods of unprofitable business. The members of a partnership may pull through by using their personal credit, but the corporation has no personal credit.

Foreclosure may be forced by any holder of the company's bonds, notes, or unpaid accounts due, who cannot get his money from the company. Under foreclosure the common stockholders can usually regain control of the company if they are willing to put up the necessary money to pay its debts and set it on its feet again—which, of course, they hardly ever do. Sometimes the preferred stockholders reorganize the business and pay its debts; but in most cases the company goes to the bondholders, who are obliged to take it over and run it in order to get their money out of it.

NOTE—The next article will discuss the bond market.

The Science of Forecasting

Prophecy may vary between being an intellectual amusement and a serious occupation; serious not only in its intentions but in its consequences. For it is the lot of prophets who frighten or disappoint to be stoned. But for some of us moderns who have been touched with the spirit of science, prophesying is almost a habit of mind. Science is very largely analysis aimed at forecasting. The test of any scientific law is our verification of its anticipations. The scientific training develops the idea that whatever is going to happen is really here now—if only one could see it. And when one is taken by surprise the tendency is not to say with the untrained man, "Now who'd ha' thought it?" but "Now what was it we overlooked?"—H. G. Wells.

BONDS AND INVESTMENTS

Savings Bank Investments

By MONTGOMERY ROLLINS
Author of Money and Investments, Municipal and Corporation Bonds, Etc.

(Concluded)

APPROACHING the subject more in detail we find a wide variation between the laws of the different Commonwealths—the term is used in its broader sense, for, of course, we have but four that are officially so styled.

This divergence of opinion as to what constitutes safe laws for the purpose, is due to many causes. It is natural that each State should give preference to investments within its own borders; a bank in Kentucky could easily make a safe loan on a local piece of real estate that a bank in Massachusetts might go amiss on. The Oregon lawmakers would view with greater complacency the security of the Far West as a whole than would the legislatures of the more distant eastern States.

Certain States bordering on the Great Lakes are prone to encourage ship-building as a public need, so permit their savings banks to invest in steamship bonds. For the same reason, California admits irrigation bonds.

Those of the western States would be un-American if they did not display a greater confidence in the credit of their mighty Empire than the more conservative East, besides, the former are closer to the grinding wheels, and can the better pick and choose. There is little doubt that a bond issue of a few hundred dollars on a small agricultural school district in Arizona may be as sure of payment as a long time City of New York bond—some think it more so—but how is the eastern savings bank trustee to know it? So it is not to be wondered at that most banks along the Atlantic Seaboard are restricted to bonds of western cities of a certain large size and with an indebtedness limited to a supposed safe percentage of the assessed valuation. Locality of the legislatures, therefore, has much to do with the confidence expressed in their statutes bearing upon investments in other parts of the country.

"Window Dressing"

Thus the municipalities in the less established regions, as already suggested, are encouraged to a sort of "window dressing," as it were, to maintain their financial showings within the requirements of the States whose treasures they must reach for desired development. We would not say that they inflate their valuations for the purpose, but they certainly know that if they fall from grace, so that their indebtedness becomes such that they can no longer tap these great fountains of wealth, they must pay more dearly for their money.

Oftimes, municipalities that are hanging on the border line of eligibility are hard put to it to retain their footing, and diverse are the expedients used to keep in good favor, or, better still, that they may enter the sacred lists of New York or Connecticut "legals," as termed in the slang of the "street." Population may be the bugbear, consequently a special census has been no unusual thing in order to pass the rigid test of New York or some New England State.

We have all kinds of laws: no two States alike; some woefully lax—Maryland has no law of this kind—and then all degrees of conservativeness until we reach the rigorous traditions of Massachusetts and New York.

Every State that has any laws upon this subject worth considering, has a board of bank commissioners that exercises control over the State Banking institutions of all kinds, and very often their powers are being extended, to a limited degree, over the private bankers. Not always to a good purpose, however,

as shown by the fact that the courts are fast throwing out a lot of these ill-advised attempts at paternalism.

Bank Commissioners' Test

It frequently happens that before a banking house with an issue of bonds that they believe to be legal for a certain State—usually a corporation issue—can safely advertise it as such, must pass the test of the bank commissioners of that State. The commissioners will examine into the matter—the bankers to furnish all required papers and certificates—and give their decision. It is not infrequent, however, for the commissioners to find themselves in doubt, and resort to the Attorney-General of the State as final arbiter. In New York, Connecticut and Vermont, the commissioners are legally required to publish, periodically, lists of the various bond issues of certain classes that are eligible for their banks. Rhode Island prepares a like list for reference in the State banking department, but does not issue it in printed form.

This material is primarily for the assistance of the bank trustees, but soon reaches the hands of the investment dealers, and is of inestimable value to them in the selection of and bidding for their wares.

The laws are entering more and more into detail—leaving less and less to the judgment of the banks. They are more generally defining terms, such as "net debt," "first mortgage" and the like. They nearly all most vehemently declare that "street railway corporations shall not be considered railroad corporations within the meaning of the law," and leave no doubt about it in your mind.

Then they view all bank trustees with grave suspicion, for they way they make his path a hard one when borrowing money from his own institution must almost make him feel as if he born the mark of Cain. And then they go for him on the matter of declaring that he must nŏt soil his fingers with a commission, gratuity, etc., or any sale of securities to his own bank. It all suggests a very low opinion of his kind as a class. Perhaps it is well, however, for, although savings bank trustees, as a whole, are a pretty clean lot of men, they might soon degenerate, without these safeguards, by an intrusion from the army of petty grafters with which our body politic is so disastrously honeycombed.

The difference in State laws and the passage of new ones, every now and then brings an unexpected profit to the holders of certain issues of bonds. Countless examples could be cited, but let us content ourselves with one and not incur the editor's wrath by crowding his columns, for, you know, he must fit one's copy to his space, and has a hardened conscience in the use of his shortening blue pencil on your most meritorious (?) material.

A Concrete Example

But about that example: South Denver was once a separate city from its larger neighbor. The banks in New Hampshire held many of the bonds of the smaller municipality. The bonds of Denver proper were legal for Connecticut banks, and enjoyed a higher credit in consequence.

When South Denver was annexed to Denver, the bonds of the former became Connecticut savings bank investments, and jumped many points in price. The larger bulk of money in the Connecticut institutions created a demand so that 4½ per cent. return, or thereabouts, was the going investment rate, while, on the other hand, New Hampshire demanded from 5 to 6 per cent.

Either on account of changed condition, or because we are gaining in experience, the laws of most of our States in respect to savings banks, as well as otherwise, are being tinkered with whenever their respective legislatures meet—which, heaven be praised! is only every other year, in the majority of cases. As a result, security issues are constantly shifting in and out among the "legal investments"—this year permissible for one State and not for another and just the reverse after the next legislative sessions.

After all, one arrives at the belief that this insane fickle-mindedness displayed in the desire not to let any law rest long in peace, is a characteristic of Americans—using the term as we preempt it?

The States, as a whole, have taken a

very commendable attitude towards encouraging real estate development, by permitting a considerable percentage of the deposits to be invested in first mortgages on real property. But the amounts of such loans are wisely limited so that not too much discretion is left to the bank trustees, and mortgages in the State where the bank is located enjoy an advantage over others, except that adjoining counties in adjacent States, for instances, may be treated as local! Maine regards the whole of New Hampshire in that light. Maine, Vermont, Massachusetts and Rhode Island, as well as New York, do not allow loans in excess of 60 per cent. of the value of improved real estate, while Connecticut is even more cautious with a limit of 50 per cent., but New Hampshire takes a chance with 70 per cent. Unimproved property is given a cold shoulder by holding it down to about 40 per cent. in most of those States. And where loans are permitted otherwise than in the local sense, as, for example, in distant States, 50 per cent. is the common limit. Among other reasons, the natural desire to develop home property at the expense of that situated elsewhere commonly prevents banks in the East from making loans of this nature other than in the home State.

Need for Restrictive Legislation

That there was full need for restrictive legislation of this class was demonstrated over and over again during the farm mortgage craze preceding the panic of "93," when the laws of some States were very lax in this respect. One bank, to illustrate, that fell by the wayside, disclosed an investment account in western mortgages in excess of its total deposits —even part of its so-called surplus having gone into the maelstrom.

"Enough!" say you. And there's that blue pencil itching to fit all this to the exact limit in columns, so we cannot touch upon the endless other classes of investments as we have real estate. The reason for going into that field with some little detail was because it is the basic investment, as well might say, and, likewise, to show that lawmakers follow some general defined scheme that brings about more or less similarity between the laws, in a broad sense, with a great divergence on the minor points. Also that optimism works West with the setting sun, and the laws become less rigid as we follow the course of Empire in its westward way. There are even now trustees doing business in that part of old Boston where the boys used to taunt the redcoated British soldier with the little relished term "lobster-back" who yet believe that this great country is mostly inhabited by Indians once you cross the Hudson River.

America the World's Supply Shop

The United States produces:

76 per cent of all the corn grown in the entire world.
70 per cent of all the cotton.
72 per cent of all the oil.
59 per cent of all the copper.
43 per cent of all the pig iron.
37 per cent of all the coal.
35 per cent of all the tobacco
26 per cent of all the silver.
24 per cent of all the wheat.
21 per cent of all the gold.

More than this, the United States contains a third of all the wealth of the civilized world.—*Manufacturer and Artisan.*

Bond Inquiries

Middle West Util. 6's

W. H. P., Hornell, N. Y.—Middle West Utilities 6's of 1925 are secured by a first lien on bonds of subsidiary companies of a par value equaling the par value of the outstanding bonds of this issue. The interest charges on the present debt are earned about five times. The bonds are followed by $3,500,000 6% notes due June 1 of the present year. We consider these 6's of 1925 to be one of the best of the public utility collateral trust bonds and a reasonably safe investment. There is a fair market.

Central Vermont 4's

L. T. T., New Haven, Conn.—Central Vermont is controlled by the Grand Trunk. Interest on the first 4's is guaranteed by the latter company up to 30% of the gross amount of traffic received from the former road. For the past several years fixed charges have just about been covered by the Central Vermont. We consider the bonds a reasonably safe investment.

N. Y. R.R. Adj. 5's

M. H., N. Y. City.—We regard N. Y. Railway adjustment 5's as an attractive semi-speculative bond. For the first six months of 1915, this company paid $1.37 interest and for the last six months of 1915, $3.194. Company's earnings now, however, are running at a rate sufficient to enable it to pay the full 5%. We believe the bonds have possibilities of gradually working higher.

Consol. Coal Conv. 6's

M. C. F., Luke, Md.—Our suggestion would be to hold the Consolidation Coal Company convertible 6% bond. This bond can be regarded as reasonably safe and at the same time there are good possibilities of its conversion privilege becoming valuable. American Public Service Company bonds we regard favorably, but we believe the Consolidation Coal Company bond has somewhat better possibilities.

D. & R. G. Bonds

E. R. S., N. Y.—Denver & Rio Grande 4's and 4½'s are equally secured by a first mortgage on 1,650 miles of road, most of it being in Colorado. The company's investment in Western Pacific was an unfortunate one and hurt its credit. For the year ended June 30, 1915, Rio Grande showed a surplus of a little under $1,000,000 after payment of all interest charges, and current earnings are showing up well. We consider the bonds to be a fair investment for a business man.

American Municipal Defaults

R. S. T., Chicago, Ills.—We are unable to furnish definite figures regarding the defaults in American municipal bonds in recent years. So far as we are aware there have been very few and most of those occurring were of small towns in Alabama. In the State of Alabama there is a constitutional limitation on the tax rate which has prevented certain of the towns from raising sufficient funds to meet all of their interest payments. Most of the Alabama defaults occurred in towns where the assessed valuation was reduced which, with the tax rate limitation, naturally reduced the annual amount of money which it was possible to raise. There has been one or two instances where there was a slight delay in the payment of the bonds as in the case of Nashville, Tenn., the delay there being caused largely by a political turnover. In Atchison, Kan., the city authorities attempted to force holders of maturing bond to take 4% bonds in place of cash. The courts upheld the refusal of the bondholders to do so. Two towns in New Jersey—Elizabeth and Rahway—defaulted many years ago but compromises were effected and the credit of these places is now excellent. The percentage of defaults on American municipals in the last 75 years has been a very small portion of 1%.

Good Investment Bonds

A. H. J., New Orleans, La.—Northern States Power 6's and Seaboard Air Line 6's we regard as excellent investments for a business man. The interest charges are earned with a large margin to spare and both companies appear to have excellent prospects. The Northern States Power 6's are selling around 99 and the Seaboard Air Line 6's around 99½.

Short Term Canadian Municipals

C. A. F., Toronto, Ont., Canada.—For short term Canadian municipals we recommend City of Calgary 6's, of 1918; City of Maisonneuve 6's, of 1918; City of Vancouver 4½'s, of 1924; Province of Saskatchewan 5's, of 1920; Province of Manitoba 5's, of 1919; Province of Alberta 4½'s, of 1924.

Mexican Petroleum Convertibles

H. G., Washington, D. C.—Mexican Petroleum convertible bonds appear to be an attractive security. The trouble is, there is not very much outstanding and there is not a close market in these bonds, that is to say, there is a big range between the bid and asked price. At 110 or under we regard them as an attractive purchase.

Talks to Investors

Why a *First* Mortgage Railroad Bond Is Not Necessarily the *Best* Mortgage—"Strategical Importance" of a Funded Obligation—A Pitfall to Be Avoided

By R. L. ARMSTRONG

BECAUSE a bond is a first mortgage, it does not by any means follow that such a bond is the safest of a given road. It is indeed very probable that a third mortgage bond may be safer than a first. Many roads are now in receivership and by reason of the treatment accorded their securities, this point is emphasized quite strongly, much to the sorrow of holders of some first mortgage bonds.

When a road is unable to meet its obligations, it is thrown into bankruptcy, but does not usually stop running. A receiver who is appointed by the court operates the road for the benefit of its creditors. The first step is to scale down fixed charges well within the ability of the road to meet these charges over a period of years.

New Basis of Redistribution

In previous reorganizations first mortgage bond holders almost invariably fared best in the re-distribution, but now such is not always the case. The basis for the re-allotment of securities is changed to the importance of the mileage, which the bond covers, to the operating economy of the system. If operated independently could it be made to pay? What percentage of total freight carried passes over this mileage in both directions? What strategic importance does this mileage claim? To enlarge on this point, it is not essentially necessary that this mileage claim strategic importance because of the fact that it is the shorter distance between two points, or that it is on the main line. It may be a whole lot more economical to go a greater distance if heavy grades can be avoided. An excellent example of this point is the Erie & Jersey 6's of the Erie Railroad, a first mortgage on a strip of some 38 miles in length. This mileage avoids a very hilly section of the main line between Chicago and Jersey City and in spite of the fact that a distance of some eight miles longer must be traversed, the benefit accruing to the road in avoiding this stretch far outweighs that disadvantage. Including the credit position of a road, the amount outstanding per mortgage mile in proportion to the earning power of the mileage—the foregoing points being considered—one has a fairly good idea what constitutes a good bond of a road.

"Mop" Plan

The Missouri Pacific Railroad is in receivership. Recently the plan of readjustment was presented. Holders of second mortgage bonds in some instances received bonds in return, while Missouri Pacific Lexington branch Divisional 5's *first* mortgage bonds received only preferred stock in exchange. These bonds, it was said, "do not cover mileage essential to the operating economy of the road."

The Missouri, Kansas & Texas Railway Company is also in receivership. Although the plan of reorganization is not available, it is my belief that the M. K. T. first extension 5's due 1944 will suffer more in the re-allotment than three other issues which are junior to it, because the mortgage securing these bonds covers mileage in six distinct sections, four of them being only branches. On the other hand the three other issues referred to, though not first mortgages cover a large part of main line mileage.

It is apparent then, that the investor who does not inform himself of all the conditions under which the bond he is buying, is issued, and not only that but also the importance of the parcel of road which his bond covers, is apt to wake up in times of stress and find that he has purchased a first rate obligation on mileage of second-rate importance.

RAILWAYS & INDUSTRIALS

Freighter at Sea.

America's Shipping Revival

Enormous Profits That Have Fallen to This Industry as a Result of the War—How Long Will the Boom Last?—America's Opportunity

By PHILIP T. TOWNE

THE word "shipping" the last two years has been one to conjure with in this country. It has spelled fortune to many people. In fact practically every concern in the "shipping" business, whether the operator of steamship lines or the constructor of boats, has had profits thrust upon it. Not only has there been more business available than could possibly be handled, but the prices at which this business has been taken have been higher than ever known before. Naturally an unlimited amount of business at top prices means exceptional profits.

There have been, it is true, a few offsetting factors. For example, the shipbuilding companies have had to pay greatly increased prices for their raw material as well as a higher rate of wages. The ocean transportation companies have also had to meet increased labor charges, but the largest increased expense with them has been the jump in insurance rates. These unfavorable developments have not, however, been of sufficient importance to materially interfere with profits.

Discussion of the shipping industry in this country should be under two heads, operation of ships and building of ships, for there is a big difference between the two. At the present time the companies that are operating steamship lines are making relatively the larger profits, but these profits are only likely to continue at their present rate while the war lasts. The shipbuilding companies are not making, perhaps, as brilliant a showing, but their earnings are likely to continue at their present rate for a long time after the war is over.

The High Freight Rates

That freight rates will immediately drop on the termination of the war is obvious when it is realized what enormous prices are now being charged for freight. For example, before the war cotton was carried from New York to Liverpool for less than 25 cents per 100 pounds as against present prices of around $2.50. Provisions formerly carried at under 25 cents per 100 pounds are now carried for about $1.25 per 100 pounds, and other materials have advanced in like proportion. It is only a question, therefore, how much freight rates will drop when the interned ships are released and when the large fleet of boats now engaged in transporting troops is available for peaceful commerce. It is not thought likely that freight rates will fall as low as they were before the war, for at least a considerable time after the war is ended. There are several good reasons for this belief. In the first place there will be the reprovisioning of the Central Empires. Then again a demand is likely to arise for American materials for the general building up of Europe. This should keep the demand strong for steamer tonnage. There will, moreover, be much fewer ships than before the war because of the heavy destruction of merchant tonnage by submarines. It will take a considerable time to replace these ships.

After the War

Therefore, while the present large earnings of the steamship lines are unquestionably temporary in nature, it is reasonable to presume that when the war is ended a very fair earning power should continue for a considerable time after. There is another point. Many of the former prominent steamship companies, particularly the German lines, have been pretty thoroughly disorganized by the war and it will take them some time to get back their old business and establish old trade routes. Here is the opportunity for the companies that have been able to make big profits, to use these profits to increase the number of their vessels and improve equipment so that they will be able to retain new business.

There are several well organized steamship companies, which have shown large earnings of late, and would appear to have excellent possibilities of playing a more important part in the merchant marine of the world after the war than they ever played before. Their prospects for continued good earnings, by no means can be said to be ended once the war is over. The most prominent and one that has been much in the public eye of late is International Mercantile Marine.

Mercantile Marine

This company had been a failure practically from its inception up to the time of its receivership in April, 1915. It was generally conceded to be heavily overcapitalized with its $51,730,971 preferred stock, $49,931,735 common, and $77,000,000 funded debt. Up to 1915 it never earned enough properly to take care of the depreciation of its floating equipment. At the present time the company is showing surplus earnings per month equal to those it previously was able to show over a twelve months' period. For the year ended December 31, 1915, Mercantile Marine earned after charges and depreciation about $42,000,000. This did not all accrue to the benefit of the company, as 75 per cent. was subject to the British War tax of 50 per cent., so that only $26,500,000 was retained.

Earnings for 1916 have been so far at the rate of approximately $56,000,000 per annum, which, after deducting taxes, etc., would leave a balance available for dividends of about $33,000,000, equivalent to 65 per cent. on the preferred stock. In other words, in two years' time, $59,500,000 will have been added to the value of the company's assets or $7,800,000 more than the par value of the company's preferred stock. In addition there must be taken into account the appreciation in the value of the company's ships. Ships are worth much more today than before the war. This appreciation in value has been estimated at from 100 to 250 per cent.

Marine Reorganization

The preferred and common stockholders and the bondholders protective committees have practically agreed as to how the company shall be reorganized. A new note issue of $20,000,000 is planned. The stock will not be disturbed. Bondholders will receive $40,000,000 in new bonds and cash to the extent of the $20,000,000 raised by the sale of the notes and $17,500,000 cash from the treasury. It is planned to pay off these notes as soon as possible out of earnings. As soon as this is done, the company will start paying off the 80½ per cent. back dividends due on the preferred. When the reorganization is effected the preferred stock will at once be put on a 6 per cent. basis.

In spite of the enormous advance the stocks of this company have had, they appear still to have good speculative possibilities. Should the war last another twelve months, they would almost undoubtedly work higher. A quicker termination of the conflict, on the other hand, would be likely to cause a slump in price, but as the company appears to have possibilities of showing a good earning power after the war, this might well prove to be only temporary. The preferred stock at 92 appears the safer speculation. Prospects seem bright that it will get a large part of the 80½ per cent. back dividends paid up in the next twelve months.

Atlantic, Gulf & West Indies

Atlantic Gulf & West Indies Steamship Lines, which operate steamship

lines engaged principally in coastwise and West Indian trade, has shown remarkable strides since the war. For the year ended December 31, 1914, this company earned 2.6 per cent. on the $14,996,400 preferred stock outstanding, whereas in 1915 no less than 17 per cent. was earned on the preferred. Before 1914 the company had shown only small surpluses. The capitalization of the company consists of $13,421,000 bonds, $14,996,400 preferred stock, and $14,997,000 common. The preferred stock is entitled to 5 per cent. non-cumulative dividends. An initial dividend of 1 per cent. was paid on the preferred April 10. It is expected that the preferred stock will shortly be put on a 5 per cent. basis. This company has in all under its control 70 steamers, 140 tugs and lighters, and since the first of the year, 27 more boats have been started, which will give the company a total of 237 units, 81 of which are ocean going.

The company has a construction program which calls for an expenditure of about $6,000,000, and will be completed some time in 1917. It is rather likely that the company will hold off for some time on common dividends in view of the extensive construction program. Current earnings are showing improvement and it is estimated that close to $20 a share will be earned on the preferred stock in 1916. This company is so improving its equipment from its present large profits that its earning power after the war should be considerably greater than it was before the war. At present price of around 52 the preferred stock appears to be selling at a conservative price, the common at 44 is more speculative, but appears to have good possibilities.

Pacific Mail

Pacific Mail was just about to sell all its assets and go out of business when the "shipping" boom came along, and it is now going to be a bigger and more important Pacific Mail than it ever has been in the past. The new American International Corporation and W. R. Grace & Co. recently acquired control from the Southern Pacific Co. Over 75 per cent. of the 200,000 sharees outstanding (par $5) are owned by the American International Co. and W. R. Grace & Co. The capital stock of the company is to be increased from $1,000,000 to $4,000,000, to consist of $2,000,000 7 per cent. cumulative preferred stock, par $100, and $2,000,000 common, par $5. Part of the new stock is offered to stockholders of record May 19, 17,000 shares of preferred at par, and 30,000 shares of common at $10 per share. By this plan, Pacific Mail will raise $2,100,000, sufficient to wipe out its floating debt. Net earnings are running at the rate of $1,200,000 a year. Preferred dividend requirements will be only $119,000 per annum. It is provided that there be put aside from earnings a three-year dividened reserve fund for the preferred. This would take $357,000. It can be seen that if the current rate of earnings is maintained throughout the year, the company will be able to set up this reserve fund and still have a substantial surplus for the common.

With two such sponsors as the American International Corporation (which means the National City Bank) and W. R. Grace & Co. to push it, Pacific Mail should be able to expand its business greatly. The new preferred looks like an excellent investment issue. The common selling around 24 is of course highly speculative, but if the things that are now being planned for Pacific Mail turn out as expected, it may some day go very much higher.

United Fruit

United Fruit, while primarily a raiser and distributer of tropical fruits and other products, controls a large number of boats. This company has in recent years always shown an excellent earning power. For the year ended September 30, 1915, 16.12 per cent. was earned on the stock. For the current fiscal year it is estimated that at least 18 per cent. will be earned. American International Corporation, it has been admitted, has recently purchased a considerable block of this stock. The war unquestionably brought to this company the opportunity of further increasing its South American trade and it can be regarded as more strongly intrenched in its field than ever

before. The stock at 160 has to a certain extent discounted this improved position. It undoubtedly has, however, great potential value.

While there are several other steamship lines whose securities are available, the above mentioned are the more important ones and appear to have the greatest possibilities of development in the future.

Cramp Shipbuilding

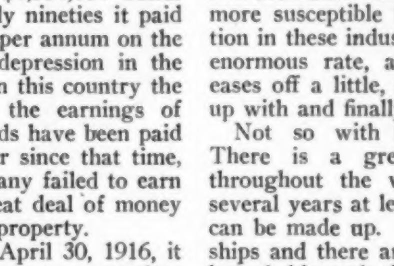
There are not so very many stocks of shipbuilding companies available to the public. Several new companies have sprung up since the shipbuilding boom has been in progress, but these enterprises are too new to be regarded as much more than risky speculations. One of the oldest shipbuilding companies in the United States and one which bears a high reputation is Wm. Cramp & Sons' Ship & Engine Building Co. This company has a small capitalization, only $6,098,000 stock and $4,334,004 bonds and notes. In the early nineties it paid as high as 18 per cent. per annum on the stock. The general depression in the shipbuilding industry in this country the past decade cut into the earnings of Cramp, and no dividends have been paid since 1902. In no year since that time, however, has the company failed to earn a surplus so that a great deal of money has been put into the property.

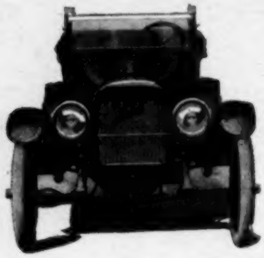
For the year ended April 30, 1916, it is estimated that earnings were equal to 26 per cent. on the stock. For the three years ended April 30, 1916, the company earned about 50 per cent. on the stock, but paid out nothing. Since 1902, when the last dividend was paid, the company has earned over 100 per cent. on the stock, all of which went into the property. There is unquestionably big value behind this stock. The future is very bright, and practically assured for two years more at least, as contracts have been taken up to the capacity of the plant for that period on very advantageous terms. There have been rumors from time to time that this property would be taken over by some one of the steel companies and it is quite likely that some such deal may be consumated in the near future, as this is a very valuable property and would make an excellent feeder for some steel plate mill. At present price of 83 the stock looks very attractive as a long pull proposition.

Will Shipping Boom Last?

Summing up, the shipping industry is in a boom period and it looks very much as though it is going to continue in a boom period for some time to come. In this respect it has the advantage of several other industries. For example the boom in steel, also in copper and zinc and even automobiles would appear to be more susceptible to collapse as production in these industries is going on at an enormous rate, and when the demand eases off a little, supply will soon catch up with and finally exceed requirements.

Not so with the shipping industry. There is a great scarcity of ships throughout the world, and it will be several years at least before this scarcity can be made up. It takes time to build ships and there are only a limited number of shipyards that can build ocean going vessels. Of the stocks mentioned in this article it would appear that the most attractive purchase for the long pull is Cramp Shipbuilding, as prosperity for this company, for several years to come, is definitely assured, whereas in the case of the steamship lines it can only be surmised.





Maxwell Motor's Growth

Management and Money Make Paying Proposition of a Defunct Company—Production and Present Earning Power—Dividend Prospects.

By JEROME MAYHEW

MAXWELL MOTOR COMPANY INC. is a striking example of what efficient management, plus funds, can accomplish. This company is a reorganization of the United States Motor Company which controlled several other motor companies, including the Maxwell Briscoe Motor Company, the Columbia Motor Car Company, Alden Sampson Manufacturing Company, Dayton Motor Car Company and the Brush Runabout Company. The old organization was top heavy, badly managed and without funds and a very drastic reorganization became necessary.

The stockholders of the United States Motor Company were heavily assessed and there was so little confidence on their part in the possibility of putting this business back on its feet, that a very small percentage paid the assessment, the burden of the re-organization falling upon the underwriters of the plan. For a considerable time after they were issued, the securities of Maxwell Motor Company sold at prices considerably under what they cost the underwriting syndicate. But the new interests in control were too busy at that time building up the new organization to bother with stock quotations, and as a result the new Maxwell stocks were kicked around the Curb market for practically nothing. The accompanying graphic shows the enormous appreciation in the value of these stocks.

Organization

Who was to head the new company was the all important question? Mr. Flanders, who next to Mr. Ford had made the greatest success in the automobile world with a low priced car, was finally persuaded to take the helm. The company had plants scattered in various parts of the country, and it was determined to concentrate all work at Detroit, accordingly all the other plants were put on the market and have since been sold. At first several different priced Maxwell cars were put on the market, but finally the output was limited to the present model.

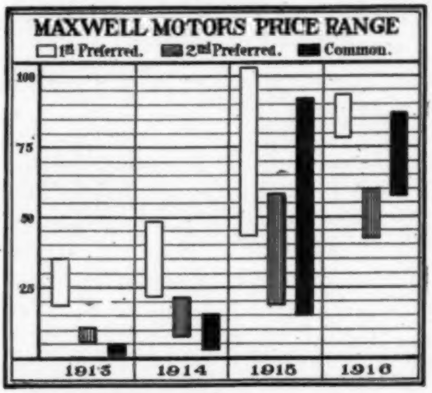
The new company was an instant success, although this fact was not appreciated by the public until some time later. In fact, they were wont to say "once a dead one always a dead one." However, this "dead one" proved very much alive when it reported net profits for the first fiscal year of its existence, the year ended July 31, 1914, of $1,505,467, equal to over 12 per cent. on the first preferred stock. No dividends were paid, however, the money being used for extensions and improvements to the plants, so that the production could be further increased.

Production

In the 1914 fiscal year approximately 21,000 cars were produced, and this was steadily increased so that for the year ended July 31, 1915, production reached 33,000 cars and net profits increased to $2,303,314. July 1, 1915, the first dividend on the first preferred of 2½ per cent. was paid. In October, 1915, another 2½ per cent. payment was made, and 1¾ per cent. quarterly has been paid since. In addition, on January 3, 1916, the company issued dividend warrants for 14¼ per cent. back dividends, these warrants being convertible into first preferred stock at par up to June 30, 1916. Approximately 80 per cent. of these warrants have already been converted into stock.

It can be seen, therefore, that the way is now open to start dividends on the second preferred stock and the common. There appears to be very little question but that these dividends will be started soon, but just how soon cannot be foretold at this writing.

Let us now see what the present position and immediate prospects of Maxwell Motor are. In the first place the financial condition of the company at the present time is very strong. Working capital can conservatively be placed at $11,000,000, of which cash is probably not far from $5,000,000. The company is fast approaching that state when it will be justified in paying out nearly all its surplus earnings in dividends, as there does not appear to be much necessity for in-



creasing its working capital greatly beyond present figures.

Present Earning Power

What is the present earning power of Maxwell and what will it earn for the current fiscal year which ends July 31, 1916? Interests close to the affairs of this company state that the output of cars for this period should reach 75,000 and perhaps more, and that this will mean minimum profits of $5,000,000, with the probability that $5,500,000 will be shown. The most conservative estimate, $5,000,000, means that after allowing for 7 per cent. on the first preferred and 6 per cent. on the second preferred, there will remain a balance equal to approximately $27 a share on the common.

This on the face of it is a really remarkable showing. Will the company be able to maintain such an earning power? This is a big question. There is at the present time, as everybody knows, a boom on in the automobile industry, production has been unable as yet to catch up with demand. Car sales have only been limited by the production of the company. Of course this condition of affairs cannot last. Production is being enormously increased, sooner or later supply will catch up with and finally exceed demand. Competition is already keen and becoming keener. All this would seem to indicate that the large profits being shown by the automobile companies generally will be reduced. Those most efficiently organized will stand up the best under the test and some, therefore, may be able to continue to maintain their large profits, even through the dull periods.

Capitalization

Maxwell Motor Company is capitalized with $14,000,000 7 per cent. cumulative first preferred stock, $10,127,468 6 per cent. non-cumulative second preferred stock and $12,778,058 common. The first preferred stock will be $14,000,000 outstanding as above noted, when the dividend warrants have all been converted. There are no bonds or other debts with the exception of a $15,000 real estate mortgage. There is a sinking fund providing for the retirement of 1 per cent. of the outstanding first preferred annually. The entire capital stock is deposited under a five-year voting trust agreement expiring January 2, 1918.

The first preferred stock can be regarded as a good investment issue. It is true that it is an unseasoned security, but the earning power of the company is so large and the equity behind the first preferred so substantial that anyone putting his money into this security can feel reasonably secure as to the dividend being maintained. This year the first preferred dividend will be earned at least five times. The estimated net quick assets of the company at the present time, $11,000,000, is equivalent to $78 per share on the first preferred. In addition the properties, plant and in-

vestments of the company have a value of $37 per share, making the tangible assets behind the first preferred equal to $115 a share. There is, therefore, no water in this stock. At present price of around 88 it yields 7.95 per cent. on the investment. As this security becomes more seasoned it should gradually work up to over par.

The Second Preferred

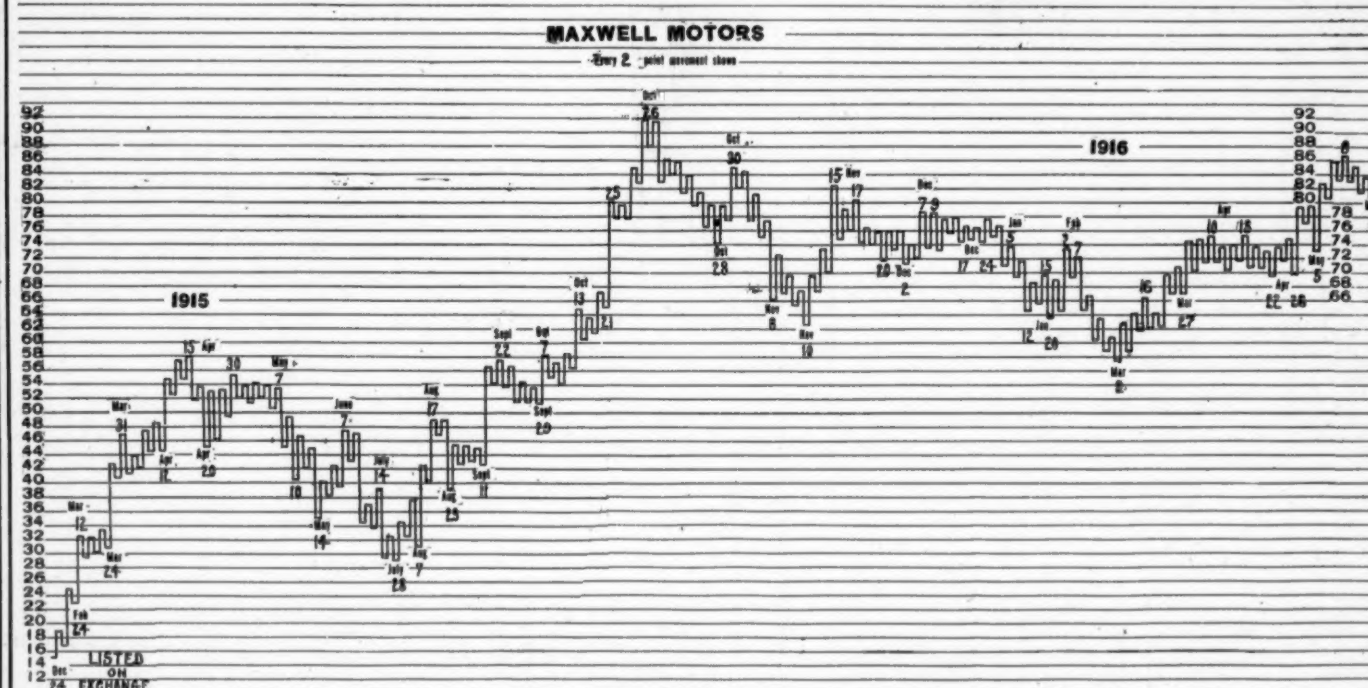
At a price of 58 the second preferred stock appears rather attractive as a semi-speculative investment. While it is not paying any dividends at the present time it will undoubtedly be given the 6 per cent. to which it is entitled within a few months. Maxwell Motor Company's present earning power could be cut one-third and it still would be sufficient to pay the first and second preferred dividends and leave a surplus besides.

Common a Speculation

The common stock is a speculation. Whether its present price is justified or not will depend altogether on how well the earnings of the Maxwell company will stand up when the reaction sets in from the present boom in the automobile business. There is nothing but good will behind this stock on the balance sheet. Of course the fact that there are no actual assets behind it does not matter if the earning power can be maintained. But can it? The future must decide. At present price of 87 it is selling almost as high as the first preferred and appears to have discounted to a considerable degree the excellent earnings of the company. No dividend is expected on the common stock this year and there is good reason to believe that insiders have sold a considerable portion of their common stock around present levels.

Justice to Investors

As a result of the constant and very natural discussion of the conduct of the railway business of the United States, and especially of this valuation problem, there have recently developed two schools of thought in the country. One school says, and, I think, with justice, that the country, having encouraged private individuals to invest their funds in public utilities, and having imposed upon those investors all the risk of loss, should give to them any rewards of success in management or of good fortune in investment and allow them to have some return upon the increased value of their investments, even if the growth of population of the country, in which the public utility was an important factor, has produced that increase in value. This seems, to most people, a simple act of justice, and a reversal of this policy without proper compensation to the millions who have put their money into the enterprises would seem to violate the Fifth and Fourteenth Amendments of the United States Constitution. In making this statement, I do not defend any of the unwise things that may have been done by some in promoting, constructing and operating public utilities nor do I say that people must be guaranteed against loss. Errors have been made from which stockholders and the public alike are suffering, and stockholders in wisely conceived and well-managed public utility corporations are suffering because of the sins of omission and commission of unwise men who were in the business.—HOWARD ELLIOTT, President New Haven Railroad.



MARKET FLUCTUATIONS OF COMMON STOCK

In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Car & Foundry, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie common, Beet Sugar common, Crucible Steel, Butte & Superior, American Cotton Oil, American Sugar common and panoramas of railroad and industrial stocks.

Railroad Preferred Stocks

Key to Leading Issues of American Railroads—A Valuable Digest For Investors

By W. E. LAGERQUIST
Northwestern University School of Commerce

IT has generally been assumed that railroad preferred stocks were first issued in the United States during the various periods of railroad reorganizations and receivership after the Civil War. Although preferred securities first can be said to have come into active use during this period a few railroad companies issued these securities prior to 1860. The simplicity of preferred regulations, namely to non-cumulative dividends and less frequently to asset accounts, offered neither any particular inducement for manipulation or source of extraordinary profits, hence they never appealed to the early railroad promoter. The real advantage which forced these issues into prominence during the period of railroad reorganization was the reduction of fixed charges. This capitulation on the part of the bondholders was, of course, not a matter of choice but a compromise in order to save their original investment if possible.

Return on Preferred Stocks

The prevalent rate of return on railroad preferred stocks is from 4 to 5 per cent. Only five roads which are considered strong systems, financially, pay a higher rate. The majority of railroad preferred stocks now in existence were issued from 1990 to 1898, when the maintenance of uniform dividends at a higher rate than 4 to 5 per cent. was not warranted on the basis of general market rates. The existence of a higher rate that this usually signifies, except in still earlier issues, one of three things, that a railroad which was forced to reorganize was compelled to pay a high rate; or an overly enthusiastic local organization built a short mileage between two local points which was not warranted; or, extensions were built into new territories where risks were abnormally large. In the latter instance, where the territory has developed the higher rates of return have been warranted. In the two former cases an examination of the table following indicates that the financial status of these roads has not materially changed. It was either a case of premature building or the usurpation of exorbitant profits by the promoters and financiers of the system from local interests.

Dividends

Additional participation for added profits has been classified in the key under the general head of dividends. This is one of the older privileges found among a very few railroads, that is not used by the recent industrial issues. The usual practice is to allow preferred and then common to receive a stipulated amount after which both common and preferred share equally in any added dividend paid. In a system like the Minneapolis and St. Louis, this privilege of course has meant nothing, but in a road like the Chicago and Northwestern it has been of value to the shareholder.

The railroads have not followed the very questionable practice of calling preferred stock at exorbitant premiums and the "call" privilege at the option of the company is almost negligible. Only three companies in the following list can exercise this right, and these cannot call the stock above par. The callable feature is always a disadvantage in a successful company, for just at the period when the stock reaches a profitable basis of income yield, to have it called is a loss to the investor who has carried the stock through the period of greatest risk, and must forego the advantages of its assured and increased profits for the premium on railroad profit is not sufficient to offset this advantage. For example, the Northern Pacific preferred which was called in 1902 had been paying dividends but a very short time when it was retired. The callable feature in this last instance was a thing that Mr. Harriman did not

TABLE OF OUTSTANDING RAILROAD PREFERRED STOCKS

(Estimates on fiscal year ending 1915)

Name of Railroad.	Per Cent. Pre. Div.	Av. Per Cent. earned in last five years on Outstanding P. S.	No. of years Present Rate of Dividends has been paid.	Per Cent. of Div. not paid since 1900.	Regulations.	Am. Authorized.	Am. Outstanding.	Per Cent. of Total Stock Outstanding.
Alabama & Gt. Southern RR. R....	6	26.5	15	0	II (a)	$4,000,000	$3,380,350	30
Ann Arbor R. R. Co............... (Controlled by Ann Arbor Co.)	5	3.39		None paid	II	4,000,000	4,000,000	53
Ann Arbor Co.....................	(Organized June 30, 1911)				....	4,000,000	2,999,300	51
Atchison, Topeka & Santa Fé......	5	18.8	15	0	I, II, III (c), IV (a), VIII	131,486,000	124,163,700	38
Atlanta, Birmingham & Atlantic....	5	(In Receivership)			II, I	10,000,000	10,000,000	20
Atlantic Coast Line R. R. Co......	5	....	13	0	II, VII (d)	196,700	196,700	.005
Baltimore & Ohio.................	4	20.38	15	0	II	60,000,000	60,000,000	23
Boston & Maine...................	6	10.7	..	..	II	......	3,149,800	7
(Controlled by New Haven by Boston R. R. Holding Company.) No dividends paid since April, 1913)								
Boston R. R. Holding Co..........	4	(Incorporated 1909) (Trustees shall make efforts to sell)			I, V, II (a)	27,293,900	27,293,900	90
Buffalo, Rochester & Pittsburgh...	6	26.24	15	0	II, II (a)	6,000,000	6,000,000	36
Canadian Pacific................. (Preference Stock)	4	43.5	19	0	II, II (a) IV, VI (b)	Not to exceed one-half ordinary	80,681,921	23
Chicago & Alton R. R. Co........	4	D	Irregular	Since 1906 20	I, II (c), II (i)	19,544,000	19,544,000	40
Chicago & Eastern Illinois........	6	5.4	Up to 1913	18	II, IV (Controlled by St. Louis & San Francisco, now in Receivership)	15,000,000	11,070,400	43
Chicago Great Western............ (Incorporated Reorganization)	4	1.87	Div. of 1% Dec. 1915	23	II, III (a), IV (a) V (a), I (b), II (j)	50,000,000	43,902,902	47
Chicago, Milwaukee & St. Paul...	7	12.37	34	0	II, II (a)	116,304,900	116,274,900	49
Chicago & North Western.........	7	55.86	37	0	II, II (c)	22,398,955	22,395,120	14
Chicago, St. Paul, Minn. & Omaha.	7	20.28	23	0	II, II (a)	20,000,000	11,259,911	37
Cincinnati, New Or. & Tex. Pac. Ry. (Controlled by S. W. Construction Co.)	5	75.69	14	5	II (c), I (b)	3,000,000	2,453,400	44
Cincinnati, Indianapolis & W. R. R.	(A Reorganization plan proposed June 4, 1915)					7,500,000	4,730,400	50
Cleveland, Cinn., Chgo. & St. L. Ry.	5	11.24	From 1897 to 1913	Up to July, 1913	II	10,000,000	9,998,500	23
Colorado & Southern								
1st Pfd..........................	4	15.11	None since Oct. 1913	17	VI, III (a), IV (e)	8,500,000	8,500,000	35
2nd Pfd..........................	4	11.14		36	V (a), II, III (a), IV (e)	8,500,000	8,500,000	..
Cripple Creek Central Ry.........	4	8.02 (Data from 1906)	7	2	I, II	3,000,000	3,000,000	43
Denver & Rio Grande.............	5	3.28	None since Jan. 1911	25	II, II (a), VI (b)	50,000,000	49,779,800	58
Detroit & Mackinac...............	5	20.67	11	0	II	1,000,000	950,000	32
Detroit, Toledo & Ironton......... (Incorporated Feb., 1914)	4	(Deficit on dividends for several years in old Co.)			II, II (k)	6,000,000	5,089,928	48
Duluth S. S. Atlantic R. R.......	6	D	0	48	II, II (a)	10,000,000	10,000,000	45
(Controlled by Canadian Pacific which owns 51 per cent. of the capital stock)								
Erie R. R.								
1st Pfd..........................	4	7.15	None since 1907	40	IV (e), V (a) III (c), II	48,000,000	47,892,400	..
2nd Pfd..........................	4	13.2		52	III (c), II IV (e), V (a)	16,000,000	16,000,000	35
Fitchburg R. R...................	5	.053 (in 1913)	(Guaranteed by Boston & Me.)			18,860,000	18,860,000	70
Georgia & Florida R. R...........	4	(In Receivership)			II (e), II (j)	3,500,000	3,500,000	40
Georgia Southern & Florida								
1st Pfd..........................	5	22.8	Up to May,'15	2½	I, II, II (a), V	684,000	684,000	47
2nd Pfd.......................... (Controlled by Southern Ry.)	5	11.58		8½	II, II (a)	1,084,000	1,084,000	..
Grand Trunk Ry.................. (Preference Shares)	5	11.3	'08-'13	10	II	£3,420,000	£2,530,000	..
	5	8.9	Irreg.	18½	II	£7,168,055	£7,168,055	12
	4	1.6	Irreg.	..	II	£1,479,452	£1,479,452	..
	(On basis of 5 years ending 1914)							
International & Great Northern....	5 D	(In receivership)			II, II (a), I	5,000,000	3,400,000	70
Kansas City Ry...................	4	6.7	8	24	II	21,000,000	21,000,000	41
Keokuk & Des Moines............. (Controlled by C., R. I. & P. Ry. Co.)	8	..	Irreg.	95	II, II (c)	1,524,000	1,524,000	36
Lake Erie & Western.............. (Controlled by N. Y. R. R. Co.)	6	54	Irreg.	66	II	25,000,000	11,840,000	50
Lehigh Valley R. R...............	10	7,046	Since issued	0	II (e) (Extra 10% dividend 1912)	106,300	106,300	.0015
Louisville, Henderson & St. L..... (Over 75 per cent. controlled by L. & A. R. R.)	5	3.5	0	70	II	2,000,000	2,000,000	50
Minneapolis & St. L..............	5	5.29	Up to Jan.,'10	30.3	II, II (a)	12,000,000	5,833,060	27

Name of Railroad.	Per Cent. Pre. Div.	Av. Per Cent. earned in last five years on Outstanding P. S.	No. of years Present Rate of Dividends has been paid.	Per Cent. of Div. not paid since 1900.	Regulations.	Am. Authorized.	Am. Outstanding.	Per Cent. of Total Stock Outstanding.
Minn., St. P., Sault Ste. Marie...	7	28.24	12	21	II, II (a), VI (b)	14,000,000	12,603,400	30
Missouri, Kansas & Texas........	4	9.41	'06 to '13 inclusive	32	II	13,000,000	13,000,000	17
N. Y., Chicago & St. Louis								
1st Pfd......................	5	23.9	Up to	4	II, II (a)	5,000,000	5,000,000	41
2nd Pfd......................	5	9.06	1915	19	II, II (a)	11,000,000	11,000,000	..
(Controlled by Lake Shore & Mich. So.)								
Norfolk & Western Ry...........	4	42.7	15	0	I, II, VI (b), IV (d), III (e)	23,000,000	23,000,000	18
Pere Marquette								
1st Pfd......................	4	(No dividends have been paid on any stock)			I, II (c)	11,169,800	11,169,800	40
2nd Pfd......................	4				I, II	1,070,000	1,029,000	..
(In Receivership)								
Pittsburgh, Bessemer & Lake Erie.	6	..	..	..	II (e)	2,000,000	2,000,000	16
(Controlled and guaranteed by U. S. Steel Corporation)								
Pittsburg, Cinn., Chgo. & St. L. Ry..	4	11.6	Irreg.	..	II, II (d)	30,000,000	29,915,725	44
(Approx. 80% of Pfd. Stock controlled by Penna. Co.)								
Reading Co.								
1st Pfd......................	4	..	15	0	V (a), VI (b), II, III (c), IV (b)	28,000,000	28,000,000	50
2nd Pfd......................	4	..	12	8½	II, III (c), IV (b), V (a), VI (b), VII (b), I (a)	42,000,000	42,000,000	..
Rock Island Co..................	6	D	..	63	VI (b), VI (a), I, II	54,000,000	49,947,450	35
(In Receivership)								
Rutland.........................	7	3.04	Irreg.	..	II (c)	8,954,400	8,954,400	98
(Controlled by N. Y., N. H. & H. and N. Y. C. R. R. Co.)					(228 per cent. dividends have accumulated)			
St. Johnsburg & Lake Champlain R.R.	6	(No dividends have been paid)			II	1,298,500	1,154,400	30
Controlled by Boston & Maine)								
St. J. & Grand Island								
1st Pfd......................	5	.008	..	63	II	5,500,000	5,500,000	66
2nd Pfd......................	4	D	..	60	II	3,500,000	3,500,000	..
(Majority of stock held by Union Pacific R. R. Co.)								
St. Louis & San Francisco........								
1st Pfd......................	4	6.65	..	10	II, III (c), IV (a)	5,000,000	5,000,000	37
2nd Pfd......................	4	1.67	..	44	II, III (c), IV (a)	31,000,000	17,364,100	..
(In Receivership)	(First Preferred paid 4 per cent. from July, 1897, to May, 1913, inclusive)							
St. Louis & South Western.......	5	5.08	Irreg.	52	II	20,000,000	19,894,500	45
		(1st Dividend paid July, 1909)						
Sea Board Air Line..............	4	4.3	(Initial Div. paid Oct. 23, 1913)		II, IV (b), II (e)	25,000,000	24,894,100	40
Southern Ry.....................	5	9.0	Irreg.	23½	II, III (a), IV (c)	60,000,000	60,000,000	50
Toledo, St. L. & Western.........	4	.51	Irreg.	40	II	10,000,000	9,952,600	50
Union Pacific.....................	4	34.6	15	0	II	200,000,000	99,543,500	30
Virginian Ry. Co.................	5	(2 yrs)	.036	..	II (e), V (b), VI (b)	29,000,000	27,955,000	47
Wabash R. R.....................	5	(Reorganized Oct. 22, 1915)			II, I	......	......	..
	5	..	..	..	II	......	......	..
Western Maryland Ry.............	4	2.8	..	..	I, II, V (a), VII (c)	10,000,000	10,000,000	17
(Incorp 1909)	(11% paid since organization in 1911)							
Wheeling Lake Erie	(In Receivership)							
1st Pfd......................	4	.27	..	..	II	5,000,000	4,986,900	41
2nd Pfd......................	4	..	..	..	II	12,000,000	11,993,500	..
(Controlled by Wabash Pittsburg Term'l Ry. Co.)								
Wisconsin Central Ry............	4	5.0	..	..	II, VI (a), II (a), IV (a)	12,500,000	11,265,300	40
	(8% paid since organization)							

In the following railroads which completes the list of railroads in the United States having preferred stock issues, the data is lacking or the preferred stock is either entirely or almost entirely controlled by another railroad. These railroads are: Central N. Y. So. R. R. Corp., (The) Cumberland Corp., Lehigh & N. Y. R. R., Belfast & Moosehead Lake R. R., Nevada-Calif. Ry., Norwich & Worcester R. R., Providence, Warren & Bristol R. R., Central Eng. Ry., Paducah & Ill. R. R., Philadelphia Belt Line R. R., Mobile & Birmingham R. R., Tuckerton R. R., Tonopah & Goldfield R. R., Colo Midland Ry., Colo., Wyo. & Eastern Ry., Midland Terminal Ry., Wiscasset W. & F. R. R., Vicksburg, Shreveport & Pacific Ry., S. C. Pacific Ry., Gainesville & A. W. R. R., Glasgow Ry., Ohio & Little Kanawha R. R., Pittsburgh Junction R. R., Fort Dodge, Des Moines & So. R. R., Gulf Fla. & Ala. Ry., Little Kanawha R. R., Atlantic City Ry., Phil., Newton & N. Y. R. R., Keokuk & Des Moines Ry., Kansas City, Fort Scott & Memphis Ry., Oregon & Calif. R. R., Williamsport & North Branch R. R., Chateaugey & Lake Placid Ry., N. J. & N. Y. R. R., Kewaunee, Green Bay & W. R. R., Huntingdon & B. T. R. R. & C. Co., N. Y. & Harlem R. R., Fort Wayne & Jackson R. R., St. J., S. B. & So. R. R., Elmira & Wm's. P. R. R., Cumberland V. R. R., N. Y., B. & M. B. Ry., Pittsburgh, Youngstown & Ashtabula Ry., Terre Haute & Peoria R. R., Colo. Eastern R. R., Rapid City, Black Hills & W. Ry., Tanna Valley R. R., Sidell & Olney R. R. Central Pacific Ry., Central of Ga., Central of Pacific, Cinn., Hamilton & Dayton, Cumberland Valley, Cincinnati, Sandusky & Cleveland, Catawassia R. R., Dayton & Michigan Ry., Des Moines & Fort Dodge R. R., Mahoning Coal Road, New York, Brooklyn & Manhattan R. R., Toledo & Ohio Central, Ohio, Ind. L. Ry., Chesapeake & Ohio R. R., New Orleans, Mobile & Chicago R. R.

INTERPRETATION KEY AS TO PRIVILEGES AND RIGHTS OF PREFERRED RAILROAD STOCK IN THE ABOVE TABLE

Privileges as to Assets and Dividends.

I Preferred has preference as to assets.

I (a). Second Preferred and Common after First Preferred Stock holders have received their full par value, and all other claims have been satisfied, shall share equally in all assets.

I (b). Preferred has preference to assets in case of liquidation or dissolution.

Privileges as to Dividends.

II Preferred dividends non-cumulative.
II (a). After preferred has received its full dividend, the common receives an equal amount; after which they share equally.
II (b). Preferred stock receives 7 per cent., after which common receives 7 per cent., then an additional 3 per cent. in the same order, after which they share equally any further dividends.
II (c). Preferred is entitled to cumulative dividends.
II (d). When preferred has received 4 per cent. and common 3 per cent., preferred is to receive 1 per cent.; then common is entitled to 2 per cent. more, after which both stocks share alike in any additional dividends.
II (e). Preferred has preference to dividends up to 4 per cent,. after which common is entitled to 4 per cent.; then preferred is entitled to an additional 2 per cent., common receiving any additional surplus paid.
II (f). Preferred entitled to 4 per cent. non-cumulative dividend up to June 30, 1914, and since that date to 4 per cent. cumulative dividends.
II (g). After 1st and 2d preferred have received their stipulated dividend, deferred stock receives 5 per cent., after which 1st and 2nd preferred share alike.
II (h). The preferred is entitled to 4 per cent. non-cumulative, common to 4 per cent., then in turn preferred is entitled to 2 per cent., but to no further profits.
II (i). After preferred has received 4 per cent. it shares equally in any additional dividends declared on participating and common stocks.
II (j). After 1st and 2nd preferred have received 6 per cent. each and common has received 5 per cent. all stocks share pro rata.
II (k). If in any fiscal year the net income applicable to dividends shall be in excess of 4 per cent. upon preferred stock and 4 per cent. on common, both common and preferred share equally to 6 per cent., after which all reverts to common.

Privileges as to Amount and Regulation of Funded Debt.

III (a). The funded debt can be increased by a majority vote of the preferred stock.
III (b). The funded debt can be increased by 2/3 consent of the entire issue of preferred stock.
III (c). The funded debt can only be increased by a majority consent of the preferred and common.
III (d). The funded debt can be increased by a 2/3 vote of preferred and a majority of common stock.

Privileges as to Amount and Increase of Preferred.

IV The amount of outstanding preferred is limited to one-half of the common stock.
IV (a). The preferred can be increased by a majority consent of the preferred and common.
IV (b). The first preferred can be increased by a majority vote of 1st and 2nd preferred and common stock at a meeting called for that purpose.
IV (c). Preferred can be increased by a majority vote of the preferred or voting certificates thereof.
IV (d). Preferred stock can be increased by a 2/3 vote of preferred stock and a majority of common stock.
IV (e). The preferred can be increased by a majority vote of the preferred and common represented at a stockholders' meeting for that purpose.
IV (f). The preferred can be increased by a majority vote of the preferred.

Privileges as to Call of Stocks.

V The directors can call its stock at 110.
V (a). Preferred can be called at par at the option of the company with accrued dividends.
V (b). Preferred can be called at 105 after three years with accrued dividends.

Privileges as to Voting.

VI (a). The preferred can elect a majority of the board of directors, if the 4 per cent. dividends are defaulted for two consecutive years.
VI (b). Preferred has the right to elect directors of the first class. This privilege can only be surrendered by 2/3 vote of the preferred stockholders.
VI (c). Common and preferred have equal voting power.

Privileges as to Convertible Rights.

VII After a dividend of 4 per cent. has been paid for two successive years on first preferred, the company has the right to convert one-half of the 2nd preferred into 1st preferred and one-half into common at par.
VII (a). Preferred stock can be converted into common stock at the option of the holder at par.
VII (b). Preferred is exchangeable at the option of holder at any time for 125 per cent of its par value for new 4 per cent. certificates of indebtedness.

Special Regulation.

VIII A part of the issue is deposited and cannot be issued except for improvements and the acquisition of additional mileage.

reckon with at the time he attempted to obtain control of the property.

Convertible Privileges

All the convertible privileges, except two, allow the second preferred stock to convert into first preferred or first preferred into common stock. In this case, the privilege is exercised by the stockholder and offsets the disadvantage of the callable feature to the investor, if the latter exists in the same stock. But both features are not often attached to the same stock. Naturally, one would suppose that the call privilege attached to the second preferred, as in the Reading, would offset the convertible privilege, hence, instead of second preferred selling at a higher price than first preferred it would sell at a lower price. The reverse is more often the case, for second preferred usually sells at relatively higher prices than first preferred, which is rather difficult to explain.

Eight companies place limitations on the increase of funded debt and ten on the increase of stock issues above the existing amount issued at the time the pre-

ferred issue was made, upon a majority or two-thirds consent of either the preferred or the preferred and common shareholders. There is a tendency, especially among the issuers of industrial preferred, to over-emphasize the importance of this regulation. Though this may assist in tempting reckless increase of funded debt or stock issues, it has decided limitations that should not be lost sight of by an investor in his purchases. If the company's financial status became precarious, the preferred stockholders would be forced to allow either an additional bond or stock issue regardless of how thin the equity of the original preferred stockholders become. The other, but less desirable alternative, is to make an assessment on its stockholders, if any part of their original investment is to be saved. The original holders of Wabash, for illustration, have recently undergone that painful experience at the present time, to their considerable annoyance.

Right to Vote

Railroad preferred stock as industrials, do not ordinarily have the right to vote. The Rock Island Company preferred shareholders are given the very unusual right of electing "all of the directors of the first class." Norfolk and Western preferred has equal voting privilege with common stockholders. Wisconsin Central, after it has paid two consecutive annual dividends, will have the right to elect a majority of the board of directors. The more common practice among railroads, as among industrials, is to allow the preferred shareholders the right to vote on the default of a stipulated number of dividends or the increase of preferred stock or bonded debt.

In the table presented on the three preceding pages the endeavor has been to select all of the important railroad preferred stocks now outstanding, and to give their chief characteristics.

Who Am I?

I am more powerful than the combined armies of the world.

I have destroyed more men than all the wars of the world.

I am more deadly than bullets, and I have wrecked more homes than the mightiest of siege guns.

I steal in the United States alone over $300,000,000 each year.

I spare no one, and find my victims among the rich and poor alike; the young and the old; the strong and the weak; widows and orphans know me.

I loom up to such proportions that I cast my shadow over every field of labor from the turning of the grindstone to the moving of every train.

I massacre thousands upon thousands of wage earners in a year.

I lurk in unseen places, and do most of my work silently. You are warned against me, but you heed not.

I am relentless. I am everywhere: in the home, on the street, in the factory, at railroad crossings, and on the sea.

I bring sickness, degradation and death, and yet few seek to avoid me.

I am your worst enemy.

I AM CARELESSNESS.—*N. C. R. News.*

Railroad and Industrial Inquiries

St. Louis, Rocky Mt. & Pacific

K. F. N., La Crosse, Wis.—The common stock of the St. Louis, Rocky Mountain & Pacific Co. is, of course, decidedly speculative. As a speculation, however, we are inclined to the opinion that it has good possibilities.

As you will note, the earning power of the company in the past has hardly been sufficient to justify a much higher price than that at which the stock is now selling. There is $10,000,000 common stock and earnings for the year ended June 30, 1915, were equal to 2.82%. The company, however, has shown a steady increase in the output of its coal, which increased from 543,000 tons in 1906 to 1,644,000 tons for the year ended June 30, 1915. The long term contracts which the company has, especially that with the Atchison, are favorable factors.

Long Island R. R.

B. A. F., Linden, N. J.—The high price for Long Island Railroad stock in 1915 was 28½ on September 20. The low was 21 on January 11. We regret that we cannot furnish you with the high and low prices for every month in 1915.

Gulf States Steel

T. W. G., Auburn, N. Y.—Gulf States Steel has $2,000,000 7% first preferred, $4,000,000 6% second preferred and $5,000,000 common stock. Earnings for the first quarter of 1916 are estimated to be at the rate of 40% per annum on the common stock. Net profits for 1915 were $608,943. Net profits for 1914 were $115,624. In December, the company declared a dividend of 15 1-6% on the first preferred stock, which pays up all the accumulated back dividends on that issue. The company is operating at capacity at the present time. At present prices we regard the stock as an attractive speculation. In connection with this company, however, it must be remembered that conditions in the steel trade are now booming and what the company will be able to do in dull times is an uncertain factor.

American Writing Paper

S. J. S., New Milford, Conn.—The price of paper has recently been increasing considerably, and American Writing Paper's outlook is somewhat improved. The company is in rather poor financial condition, however, and its preferred stock must be considered a very risky speculation. While it may go somewhat higher, in view of this increased price of paper, there is a considerable element of risk attached to holding this stock and you are probably just as well out of it.

Cramp Shipbuilding

D. C. W., Shakopee, Minn.—Cramp Shipbuilding stock is listed on the Philadelphia Stock Exchange and is also traded in on the New York Curb. You can purchase the stock in either of these markets. This company has orders on its books sufficient to keep it operating at capacity for two years at least. The management is well regarded and the company is in strong financial condition. Earnings for the year ending April 30, 1916, are expected to be equal to about 25% on the stock. We regard this stock as an attractive, semi-speculative investment. It is selling around 80.

Corn Products Refining

E. C. C., N. Y. City.—Corn Products Refining is showing better earnings than ever before in its history, and we believe the common stock has prospects of going higher. There is only one uncertainty that we know of in regard to this company, and that is the Government's suit for dissolution. It is generally thought that the company has made out a very strong case and will win out.

B. & O.

N. O. A., Providence, R. I.—Baltimore & Ohio is showing remarkably good earnings, and when the present uncertainties are out of the way, this stock has possibilities of going somewhat higher. We do not look for much of a move, however, with the unsettled labor situation. Once this is out of the way, all of the rails should do better.

You must remember that the present large earnings that the roads and many companies are showing have not been of very long duration, and in view of the uncertainty as to how long they will continue, it is quite natural for directors to be conservative in their dividend policy.

Chandler Motor

C. H. N., Sharon, Pa.—Chandler Motor Co.'s present capital consists of $10,000,000, par $100, stock, of which $7,000,000 has been issued. There are no bonds. This stock is at the present time on a 6% basis but it is thought quite likely that it will shortly be increased to 8%, in view of the present earnings of the company. It is estimated that earnings for 1916 will show close to 25% earned on the common stock. Of course these earnings must be regarded as somewhat abnormal, in view of the boom conditions in the automobile trade. Sooner or later production will exceed demand and when this occurs the large profits that some of the companies are now making will be cut down.

Perlman Rim

J. S. T., N. Y. City.—Perlman Rim Corporation is capitalized as follows:

Class "A" shares, carrying voting power	3,000
Common shares, with no voting power	97,000
Total	100,000 (no par value)

These shares are all outstanding. This company is manufacturing demountable automobile rims, and it may also grant licenses to other manufacturers to operate under its patents on a royalty basis. Demountable rims of the kind covered by Perlman Patent are used, at the present time, on about 80% of all the automobiles manufactured in this country, aggregating to an annual total output of over one million cars. The estimated earnings of the company, based upon the use of demountable rims at the present time, by allowing a reasonable profit upon rims to be manufactured by it and its revenues from royalties from other users or manufacturers, will be for the ensuing year approximately $3,000,000. It is stated that the company owns all of the stock of the Jackson Rim Company, estimated to be worth $500,000, and in addition it has claims for profits and damages for past infringements estimated conservatively at $2,000,000.

Owens Bottle

R. E. L., Scranton, Pa.—Owens Bottle Machine Company has an authorized capitalization of $20,000,000 7% cumulative preferred, par value $100, and $30,000,000 common stock, par $25. There is outstanding, $7,000,000 preferred and $9,000,000 common. The $7,000,000, prefered stock was recently issued to provide funds for the purchase of the American Bottle Company, and to also provide $1,000,000 working capital.

Emerson Phonograph

F. G., Boston, Mass.—Production of Emerson Phonograph records is now running as high as 50,000 daily. We strongly recommend the purchase of this stock as a speculative investment with great possibilities.

Railroad Preference Stocks

M. G., N. Y. City.—We do not know of any railroad preferred stocks which yield from 6% to 7% interest, the common stocks of these companies having paid dividends for the last six years. Railroad preferred stocks which would fulfill these conditions would yield you considerably less than 6%. The following preferred stocks have paid their dividends regularly for years past and the common stocks of these companies have paid dividends for longer than six years:

Atchison 5% pfd	yield 5%
Baltimore & Ohio 4% pfd	" 5¼%
St. Paul 7% pfd	" 5½%
Norfolk & Western 4% pfd	" 4½%
Union Pacific 4% pfd	" 4¾%

There are several industrial preferred stocks, however, which yield over 6%, and which fulfill your conditions that the common shall have paid dividends for over six years. They are as follows:

United Cigar Manufacturers pfd.
United Cigar Stores pfd.
American Smelting & Refining pfd.
American Sugar Refining pfd.
National Lead pfd.
International Harvester of New Jersey pfd.
American Agricultural Chemical pfd.
May Department Stores pfd.

The two last companies mentioned have paid dividends on their common stocks for only five years.

U. S. Rubber

A. A. D., Chicago, Ill.—U. S. Rubber's 1915 report, recently published, shows 10.4% earned on the common stock. Prospects for 1916, especially in the tire end of this company's business, are very bright. By passing the common dividend and putting earnings into working capital, U. S. Rubber has materially strengthened its financial condition, and should shortly be in a position to resume dividends on the common. Although the news on U. S. Rubber is favorable at the present time, we are not generally suggesting the purohase of speculative stocks. What effect the ending of the war will have on industrial conditions in this country is uncertain, and for a long pull we are advising only the highest grade securities.

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

Investment Digest

Note.—The Investment Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy.—*Editor*.

RAILROADS

Atchison.—Company should show for year ending June 30th, surplus of $24,548,000 for the common, equal to 11.6% upon the $212,246,500 outstanding; based upon showing for nine months of fiscal year ended March 31st, when net operating income increased 18%. In year ended June 30th, 1915, company earned 9.19% upon $200,489,500 common.

Boston & Maine.—Company buys $1,400,000 worth of locomotives. Company is expected to show over 15% or $565,000 increase above 1915 in April gross, comparing with a gain of $537,000 for March. This should make for a year's income equal to at least 7% on the stock. Reorganization plans reported as not completed.

Burlington.—Estimated earnings on its $110,839,100 stock for the fiscal year ending June 30th, almost 24% or nearly three times the amount required for dividends. In the fiscal year ended June 30th, 1915, the road earned 15.6% on stock, showing increase over last year of more than enough to take care of a year's dividends at 8%. Balance of dividend of $17,600,000 would represent a technical equity of Great Northern and Northern Pacific of 3.5% and 3.6% on their stocks respectively. Company's maintenance expenditures have shown no material changes from those of last year.

Baltimore & Ohio.—While March reports show gain of nearly $2,000,000 or 26% in gross, net decreased $500,000, owing to free expenditures on maintenance. On assumption that maintenance policy will last the entire year and no further gains will be made, the year's earnings on the common should approximate 8½%. Capital expenditures on plant for the season just started will amount to something like $8,000,000.

Chicago & North Western.—Present showing indicates earnings equivalent to 12% on its $130,117,000 common stock for year ending June 30th next as compared with 7.7% earned on that issue last year. Company spending more for maintenance this year than last, but owing to large increase in gross, total percentage of upkeep to operating revenues has been reduced from 28.7% in the nine months ended March 31, 1915, to 27.8% in the corresponding period this year. Rumors of increased dividend are current.

Big Four.—Company switches from $1,900,000 deficit after charges in 1914, to large surplus. Change is due to recovery from disastrous floods of 1913. In the year 1915, Big Four earned surplus over fixed charges of $3,404,731, allowing $500,000 for the 5% preferred stock, which at present pays no dividend. There was $2,904,731 left, equal to 6.1% on the common. While the common stock is on its way to dividends, there is no likelihood of an immediate payment.

Chicago, Milwaukee & St. Paul.—Indications point to a gross for the year to end June 30th next of $100,000,000. In nine months St. Paul earned gross of $78,623,717, an increase over the same period last year of $9,120,000 or 13%. Company now earning at the rate of between 8% and 9% on its $117,912,000 outstanding common stock, against 3.28% on $117,356,100 common stock in the year ended June 30th last, the increase in stock having been due to conversion of bonds.

Canadian Pacific.—At the rate company's earnings are forging ahead, it may conclude on June 30th the biggest year in its history, with possibly two exceptions. In 1915 the last two months of the fiscal year added over $15,000,000 to gross earnings. This year at the present rate of gain they should add between $23,000,000 and $24,000,000, bringing year's gross up close to $129,000,000.

Erie.—April's gross again appears normal, at $6,018,000, against $5,012,000 in 1915, an increase of $1,006,000 ,or 20%. The increase over the first week of May, 1915, was $163,000, or an average gain of $23,000 a day.

Louisville & Nashville.—During the first three quarters of the current fiscal period, company scored a gain of more than $5,500,000, in gross, and over $5,800,000 in net operating income, as compared with the same period of the year previous. Reported company will earn 13% on its outstanding capital stock this year, after meeting all charges. Rumor that company will return to its 6% basis.

Missouri Pacific.—Heaviest expenditures in history of company reported for maintenance during current year. Gross earnings for 1916 reported as $64,000,000. On present volume of business and basis of costs, the company could, after reorganiza-

tion, earn a surplus over charges of close to $7,000,000, equivalent to 9%, on the $76,751,635 preferred which it is proposed to issue in reorganization.

Northern Pacific.—Company continues to show increase in gross. Estimated gross earnings for first week in May were $1,346,000, an increase of $300,000.

New Haven.—$27,985,000 or over half of New York, New Haven & Hartford's European loan of 1907 brought back to this country through J. P. Morgan & Co. and dollar bonds of an equal par value have been issued in exchange and sold in this market. Kissell, Kinnicutt & Co., who have purchased some of the dollar bonds are offering them at 96⅛, netting about 4.75. March earnings for company show large increase. Gross in 1916, $6,098,626, as against $5,351,512 in 1915.

Pennsylvania.—President Rea in annual report shows operating revenues of $60,857,677, an increase of $6,159,350, or 11.26% for the year. Total expenditures for maintenance and operating the property were $41,097,777.

Rutland.—Company earned in 1915, 5.35% on its $9,257,000 stock as compared with 2.23% in 1914.

Reading.—Reported segregation of Reading properties have recurred from time to time in the past, more credence perhaps than ever before is given them in well-informed circles, and the long expected distribution of Reading assets confidently expected at an early date. Earnings this year warrant an increase in the dividend and in some quarters there is expectation that it may be raised from the present rate. After charges of $12,364,104, the Reading companies in nine months ended March 31st, combined a surplus equivalent to 14.66% on $70,000,000 Reading common, after allowing for additions and betterments and proportionate preferred dividend requirements. This contrasts sharply with only 3.99% earned on the stock in the same period last year. If same rate is continued for balance of year, company will show earnings of 20% on the stock.

Rock Island.—Between $25,000,000 and $30,000,000 new cash will be raised through the $33 or $40 per share assessment. Plan provides to give 7% preferred stock for the assessment, par for par, while the $20,000,000 debentures may be given 6% preferred. In each instance the cumulative liability attaching to the preferred will be limited to 5%. Foreclosure sale seems inevitable.

Southern Pacific.—Company has been authorized to issue $5,110,000 equipment trust certificates, series "D" to bear dividend warrants at 4½% per year.

Seaboard Air Line.—For nine months ended March 31st, company shows net after taxes of $1,383,000 above same period in previous year. Last year, the poorest since 1909, company earned a margin of $341,000 over all charges including full interest on its adjustment mortgage bonds. Taking other charges on basis of last year, road should show a surplus of about $725,000 for this year, even if there is no increase in earnings for the last three months as compared with last year.

Southern Railway. — Comprehensive scheme of financing under way. It is expected plan will be ready by October 1st and the new issue will be ready for the market about the first of December. Company is at present earning over 20% on the selling price of its preferred stock and rumors have been current of an early resumption of dividends. It will be recalled, however, that there is $10,000,000 of 5% collateral notes which mature on March 2nd, 1917, while there is also a private loan which was negotiated last February to provide funds to pay off $5,000,000 of three-year 5% notes maturing on February 1st, 1916. It is therefore unlikely that dividends will be resumed. Gross for nine months ended March 31st shows gain of $4,500,000 and a net gain $5,600,000.

Union Pacific.—In the year to end June 30th, company will earn about $15 per share for its common stock, $8 of which is being turned over to stockholders in regular dividend distribution. Well informed circles declare that extra distribution will be made shortly. With earnings running at a rate of 15% and the company paying 8%, there will be over $16,000,000 in excess of dividend requirements at the regular rate.

Wabash. — Ability to meet reorganized fixed charges appears satisfactorily established. In five months, Nov. 1st to March 31st, 1916, company earned surplus over all charges equivalent to 3.80% on the $46,200,000 preferred A. This represents an annual earning rate of over 9% on that issue, or 20% on its market price.

INDUSTRIALS

Acme Tea Co., Inc.—The Acme Tea Co., Inc., which is being formed to take over the business of the Acme Tea Co., will have $2,750,000 7% cumulative first preferred stock, $500,000 second preferred stock and $3,500,000 common stock. There will be no bonds or notes. The Acme Tea Co. ranks as one of the largest chain store enterprises in the United

States. It deals in teas, coffees, spices, dry groceries and breadstuffs, and manufactures a large percentage of its own products. A group of investment bankers, headed by Chandler & Co., Inc., Cassatt & Co., of Philadelphia, and Merrill, Lynch & Co., of New York, have purchased the entire issue of first preferred stock, which will shortly be offered at 98. Application will be made to list the shares of the new Acme Tea Co. on the New York and Philadelphia Stock Exchanges.

American Agricultural Chemical.—Year about ended reported best in company's history. Earnings total about 16% on its $18,-430,000 common, compared with 10.98% in 1915. Stockholders insistent upon larger distribution than 4%. No encouragement from directors that stock will be put on 6% basis.

Allis-Chalmers.—Earnings for 1916, if present rate continues, estimated at $2,000,-000 or 4% on the outstanding common stock. Reported that company is about to begin payment of something on the 13% accumulated dividends on the preferred.

American Can.—Exclusive of war business, earnings for year running well ahead of 1915. If maintained, increase will be equivalent to about 7½% on the common stock. War profits up to September 1 at the latest are estimated at $9,000,000, and additional profits of about $8,000,000 show total earnings of 30% on the common stock this year.

American Graphophone.—Berton, Griscom & Co. and Millett, Roe & Hagen have purchased $2,500,000 6% serial notes from the American Graphophone Co. Proceeds of these notes will enable company to take care of its large rush of orders. Company's profits last year were approximately $2,000,-000 and first three months of this year gross sales have increased over 50% over first quarter of 1915.

American Sugar Refining.—Beet Sugar Stocks believed to be worth not far from $16,000,000. Dividends on investment will be relatively largest American Sugar ever received. The present $15,800,000 investment, however, compares with $34,000,000 at the high point, so that the actual total of dividends will not probably be record breaking.

American Steel Foundries.—Promise of 18% or slightly better for the $17,184,000 common seemingly certain for 1916. March quarter did not include revenue from $18,-000,000 war order, so that previous balance sheet merely showed profits from domestic work. War order business alone expected to show 10% on common stock. If present rate continues throughout the year better than 20% will be made for common.

American Malting Co.—Bonded debt reduced from $4,000,000 to $1,763,000, of which the company has in treasury $210,000, leaving outstanding $1,553,000. Holders of $1,553,000 first refunding mortgage 6% bonds have been offered privilege of exchanging their present bonds for an equal amount of first and refunding 20-year 5% gold bonds on the basis of 97½. This means that each holder will receive for each bond of present issue one new 5% bond and $25 in cash with adjustment of interest on date of exchange.

Atlantic Gulf & West Indies.—Report of buying for control of company by international interests is denied. Reported 1916 earnings for Atlantic Gulf, the parent company, will show net income of its own, sufficient to meet interest charge of $620,000 on its collateral trust bonds, leaving surplus profits of subsidiary system above interest on their own bonds as a balance available for the $14,979,000 preferred and $14,996,000 common stock of Atlantic Gulf. On this basis the February earnings, instead of showing at the rate of $30 per annum for the common, would have to be revised upward to a balance of profits at the rate of $34 per share.

American Beet Sugar.—Year ending March 31 accumulated net earnings of $3,174,831, equal to 19.1% on its $15,000,000 common after taking out the 6% dividend on the $5,000,000 preferred stock. This compares with 13.1% earned in its best previous year.

American International Corporation.—Pacific Mail Steamship Co., one of its subsidiaries, to revamp its capitalization and raise $2,000,000 to pay for new boats. This company in March earned at the rate of 80% on its new common.

Bethlehem Steel.—Property additions for 1916 involve expenditure of $30,000,000. March earnings for company close to $5,500,000. At this rate earnings for first four months of year would amount to $20,-000,000, compared with a capitalization of less than $15,000,000 common and $15,000,000 preferred stock.

Crucible Steel.—Net earnings of company in April amounted to slightly in excess of $2,000,000. Total since January 1 more than $7,750,000. Additional buildings projected for company.

Canadian Car & Foundry.—In addition to its $83,000,000 Russian shell order, on which profits are estimated to be between $5,000,000 and $8,000,000, company is doing largest car business in its history.

Chevrolet Motor.—Rise of 100 points in stock in six weeks sensational. Estimated car output for May 9,000. Earnings indicate net of $725,000 per month.

Corn Products.—For the quarter ended March 31, earnings were $1,055,634, an in-

crease of $300,447 over the corresponding period in 1915.

Emerson Phonograph.— The company is opening its campaign on 25 cent double disks, the June list contains 24 in number or 48 selections. These records play three quarters as long as the Victor and Columbia, and although in many cases they are made by same artists, bands, etc., as those of big companies, they sell at about one-third the price. Victor H. Emerson, president of the company, who for seventeen years was recording expert for the Columbia, is in personal charge of the Emerson Company's laboratory with the result that the product is excellent and the demand big.

Hercules Powder.—Gain in cash holdings increases at the rate of more than $1,000,000 a month in first quarter.—On March 31, company had cash of $7,106,730. Gross earnings for first quarter $12,306,298. Net $4,487,611 available for the common, which is at the yearly rate of 271%.

International Agricultural.—Company has retired $426,700 collateral trust 5% bonds, making total called in so far $1,850,000. Making total floating debt $1,500,000 against $4,340,761 January 1.

Kresge (S. S.).—Reports sales for April of $2,222,901, an increase of $527,960, or 31.15%, over the sales for April, 1915. Sales for the first four months of the current fiscal year $7,220,126, an increase of $1,541,680, or 27.15%, over the sales for the corresponding period last year.

McCrory Stores.—April sales total $138,649, or 31.86% ahead of April, 1915.

Midvale Steel.—Company has acquired plant of Diamond State Steel Co., of Wilmington, Del., which covers tract of 50 acres and comprises five open-hearth furnaces, a 34-inch blooming mill and five bar mills. An entire new organization has been formed with A. C. Dinkey, president, and remaining personnel composed of officers of the Midvale Steel Co. Net earnings of company running 30% better than anticipated. Report that dividends will probably start in July at $3.50 to $5 per share.

Maxwell Motor.—Company now running at the rate of about 6,500 cars a month, and with additional facilities by July 1, capacity will be increased to 10,000 cars a month. Output in current year ending in July will be between 65,000 and 75,000 cars, compared with 32,000 last year. Estimated earnings for year $5,000,000 comparing with $2,303,314 last year, which provides, not allowing for depreciation, the full 7% dividend on $14,029,136 first preferred (the amount to be outstanding if all the warrants are converted), 6% dividends on the second preferred and leaving a surplus on the common equivalent to 27% on $12,778,057 stock outstanding.

Republic Iron & Steel.—Company has declared regular quarterly dividend of 1¾% on preferred stock and an extra dividend of 2% on account of accumulated back dividends, leaving 8% to be paid. Estimated that before close of year dividends in arrears will be fully satisfied. Company reported to be earning at the rate of more than $30 a share annually for the common stock.

Standard Screw.—Before deducting $2,000,000 for depreciation, earnings for year ended March 31 were $4,163,000, leaving net profit of $2,163,738 against $277,336 a year ago, equivalent to 158% on the $2,500,000 common stock.

Studebaker.—Persistent rumor that company will go on a 12% basis when directors meet in August. Sales for the first quarter increased 75% over the corresponding quarter last year. Factories now producing at the rate of 90,000 cars per year as against 46,000 last year. Notwithstanding big increases in earnings, and prospect of larger dividends, the stock has shown a drop of 68 points from the high of 195 in 1915.

Saxon Motor.—Company has made a new high record in ten months shipping 19,608 cars and during two remaining months 7,500 additional cars will be shipped, making total output for the year 27,000 cars. Net earnings of $1,250,000 or about $20 a share on the $6,000,000 capital stock for the fiscal year estimated.

Sears-Roebuck.—If present rate of gain of first four months continues throughout 1916, sales will aggregate $130,600,000 indicating a profit of 21% on the common stock. By end of year company should have a profit and loss surplus of close to $12,000,000, or $20 per share for the common. Not likely, however, that this surplus will be deemed large enough to tempt another common stock dividend similar to 1915 distribution.

Submarine Boat.—Naval Appropriation Bill to provide for 50 submarines to cost about $30,000,000. Company would get about 80% of United States Order, which would mean about $24,000,000.

United States Industrial Alcohol.—Plans for future capitalization under way will be broadened to provide needed working capital and financing of increased business. Company earned in 1915 a surplus on its common of 14.6%, which by inclusion of surplus of subsidiary properties acquired during the year, was increased to 33.2%. Profits for this year are estimated from 50% upward with prospect of almost as much in 1917.

United Motors.—Earnings placed at $7,500,000 or the equivalent of $22.50 a share. Of this sum between 35% and 40% will come from Perlman Rim, which will practically control the demountable rim business of the country. Five subsidiary companies will be operated individually as

heretofore, and personnel of officers and working forces will continue unchanged. Probable that stock of United Motors Company will be offered at $62 a share. The amount of stock to be syndicated and offered will be between 375,000 and 400,000 shares.

United Shoe Machinery.—Reported that company will increase dividends both in stock and cash at June meeting of directors. Estimated that stock dividend may amount to 20% or 25% with probable 15% extra cash dividend.

Underwood Typewriter.—Company earned $1,200,000 or over 14% for the $8,500,000 common stock outstanding in 1915, as compared with 4.2% in 1914. Current year reported as revealing even better earning capacity for the company.

Union Bag & Paper.—Plans under way for reduction of about 50% in capitalization. Estimates for 1916 indicate unusual earnings. Reported that surplus above charges, however, will be required to provide additional working capital and to pay for $400,000 of plant improvements which are needed to finish rehabilitation work.

United Fruit.—Reported that 75,000 shares of company's stock have been acquired by American International company. Rumor of control being sought by latter company reported as not justified. For seven months up to May 1, net profits of United Fruit Company from all sources were $4,325,000 against $1,460,000 for the corresponding period of 1915. Conservative estimate of profits for fiscal year indicates at least 20% on the stock. Company earned $200,000 weekly from sugar.

United States Steel.—Company earning at rate of close to $275,000,000 a year. No official intimation of increased dividends heard. If there is no let-up in steel business the rest of the year, U. S. Steel will add to its surplus or property value in new construction about $35 a share in 1916, if dividends are maintained on the common of 5%. Unfilled tonnage increases 498,550 tons in April to new record.

U. S. Rubber.—Reported that common share profits will reach 20% although dividends are not likely before 1918. In the fiscal year ended December 31, company earned $10.80 per share on its $36,000,000 common stock. Reported that profits during the year of 1916 from the production of crude rubber at the Sumatra plantation will alone more than equal the former 6% dividends paid on the common stock.

Willys-Overland Co.—Company shipped 1,000 cars a day and 200,000 car schedule for 1916 will be easily obtained. On a basis of 200,000 car output, earnings for the year estimated at close to $20,000,000 which would work out an earning power on the common stock of close to $90 a share. Common stockholders at present are receiving 6% cash dividends. Last year they received an extra of 5% in stock.

Westinghouse.—Labor difficulties reported as nearing end. Fourteen days of strike reported as costing Westinghouse Electric a production of not far from $3,000,000 and all of the Westinghouse companies an output of nearly $5,000,000. Contracts reported as consummated between Westinghouse Electric and the British Government for 3,000,000 rifles.

F. W. Woolworth.—Four months' sales of $23,593,295 indicate that 1916 sales will exceed $80,000,000. If increase continues during balance of year, gain over 1915 would be $9,488,793.

Vail's Golden Rule

HERE is another statement of the Golden Rule as seen by Theodore N. Vail, head of the Bell telephone system and one of the country's great men:

We are the luckiest nation on the surface of the earth. We ought to be congratulating ourselves and doing our best to help one another. All employers should be willing to give a living wage to their employees, and all employees should be willing to give generous service for the money they are paid. All consumers and users of service or commodities should be eager to pay a fair price for others' goods and service, and then they can get a fair price for their own.

PUBLIC UTILITIES

United Gas and Electric Corporation

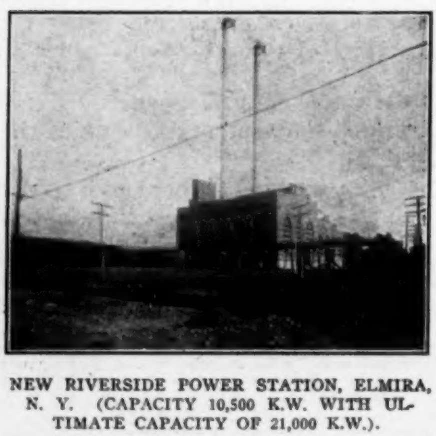
Factors Which Have Affected This Company's Affairs Importantly—Present Rate of Earnings—How Investors Should Regard Its Stocks

By BARNARD POWERS

WRITING for these columns under the date of July 10, 1915, Mr. Paul Clay summarized his study of the United Gas Electric Corporation of Connecticut with these words:

> "For those who are willing to await developments the stocks of the United Gas & Electric system look like good long-pull speculations. When the time comes that bonds can be sold by the subsidiaries, and that street railway earnings, especially in the South, fully recover, both of the preferred stocks will doubtless pay the dividends to which they are entitled; but this time seems likely to be a year or perhaps two years ahead. When it does come, however, all three of the stocks ought to at least double in market value, and a profit of 100 per cent. or more in a couple of years is not to be spurned."

Mr. Clay is now in the position to bask in the sunshine of accredited prophecy for his predictions in regard to this company have made substantial headway towards achievement before a full year has elapsed. The subsidiaries are now able to finance to their full requirements, street railway earnings in the south have shown marked gains and with one or two exceptions, are at normal or close to normal, the first preferred stock is on a 7 per cent dividend basis and apparently firmly entrenched as a 7 per cent payer, and the stocks of the company have shown substantial increment in market values. The first preferred has advanced in the last ten months from below 50 to above 70, the second preferred is up more than ten points and the common has advanced as much. All in all the affairs of the United Gas & Electric Corporation is in as good position financially as it has ever occupied, with prospects for further betterment.



NEW RIVERSIDE POWER STATION, ELMIRA, N. Y. (CAPACITY 10,500 K.W. WITH ULTIMATE CAPACITY OF 21,000 K.W.).

Earnings

The United Gas & Electric Corporation is a simon-pure holding company. It was incorporated in March, 1912, with the Susquehanna Railway, Light & Power Co., thereby uniting under one head the various companies as shown in the diagram which accompanies this article.

The capitalization and bonded debt, authorized and outstanding, is shown in Table 1.

The first preferred stock was 6 per cent cumulative until April, 1915, and then became 7 per cent cumulative, in respect to dividends. The second preferred is cumulative as follows: 2 per cent in 1914, 3 per cent in 1915, 4 per cent in 1916, 5 per cent in 1917 and thereafter 6 per cent. The second preferred stock was issued in 1913 in connection with the acquisition of the American Cities Co. and ranks ahead of the common in the event

Table 1
UNITED GAS & ELECTRIC CORPORATION
Capitalization (Par $100)
As of April 30, 1916

	Authorized	Outstanding
Common	$20,000,000	$12,250,420
1st Preferred 7%	25,000,000	9,284,800
2d Preferred 2%, rising to 6%	12,500,000	11,662,400
30-Year 6% Coll. Tr. Bonds	15,000,000	8,461,000

of liquidation, but is of course subject to the rights of the first preferred.

The first preferred only has paid dividends. An initial dividend at the rate of 6 per cent was declared in 1912, which rate was maintained until April of 1914, when the dividend was discontinued. At the beginning of the current year the accumulated back dividends on the first preferred stock totaled 11¼ per cent which were reduced to 8¼ per cent by the declaration of 3 per cent. It should be remembered that the first preferred is now cumulative at the rate of 7 per annum, as the rate was raised to that basis on April 1, 1915 by the terms of the issue of the stock.

Direct earnings by the United Gas & Electric Corporation for the year ended December 31, and net earnings of its subsidiary companies, excluding American Cities Co. and its subsidiaries, after deduction of dividends on their preferred stocks, including the equity of the direct subsidiary companies in the operations of their respective subsidiary companies, totaled $1,269,391 as against $1,333,317 for the previous year. The net available for dividends, after charges and the year's pro rata amortization for debt discount and expense, totaled $828,845 or the equivalent of 8.8 per cent on the first preferred stock, as compared with $990,952 or approximately 10 per cent for 1914.

The full force of the falling off in earnings due to early war conditions was felt last year and the earnings for 1915 give no idea of how much improvement has taken place of late in the company's affairs.

Table 2 giving earnings for the last quarter of 1915 and the first quarter of 1916 afford a more accurate insight into the way in which the company's affairs are now progressing.

The factors which have brought about the improved earnings are the generally increased demand for light, power and transportation which has accompanied the quickening industrial activity in this country. As shown by table 2, the greatest increase has come in the demand for electricity which has expanded considerably owing to industrial activity arising in part from war order business.

A good idea of the volume of business which the United Gas & Electric subsidiaries transact is shown in table 3 which gives the comparative results of operations of the subsidiaries for the last four years. This table also shows that gross earnings have shown an increase each year since the holding company was organized.

Jitney competition, which put such a crimp in the holding company's subsidiaries such as the American Cities Co., is daily becoming less of a factor. In some cities the jitney has practically disappeared and in others where it still survives it is no longer the menace of a twelvemonth ago.

One of the Largest Utilities

Among the public utility corporations this concern, taking its subsidiaries into account, is one of the largest in the country. Few realize its size. It serves a

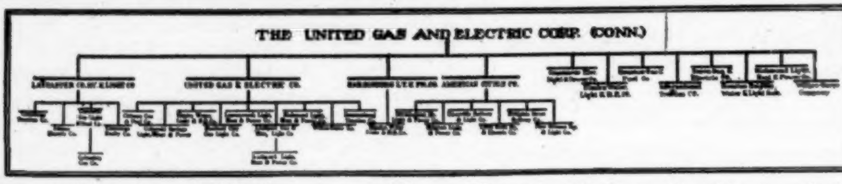
Table 2
UNITED GAS & ELECTRIC CORPORATION

	Gross Earnings	Net Earnings
Last quarter 1914	$3,367,610.81	$1,415,173.14
Last quarter 1915	3,641,607.11	1,666,653.77
Increase	273,996.30	251,480.63
Increase Per Cent	8.1%	17.8%

The following tabulation shows the increase in Gross Earnings of the United Gas and Electric Corporation Subsidiary Properties exclusive of the American Cities Company, for the 3 months ended March 31st, as compared with similar period in preceding year:

	3 Months Ended March 31st		
Gross Earnings	1916	Increase	%
Railway	$2,141,649.15	$278,259.27	14.9
Electric	871,801.71	129,603.15	17.5
Gas	569,303.80	19,840.38	3.6
Steam Heat	142,203.03	13,786.86	10.7
Total	$3,724,957.69	$441,489.66	13.4

population of more than 2,000,000 persons, or one fiftieth of the population of the United States, and its companies own 603 miles of trackage and 815 miles of gas mains. The number of cities and communities the subsidiaries serve total 155, their electric generating capacity including contracts to purchase current from various power companies totals 117,320 K. W. and their gas generating capacity is 19,660,000 C. F. per day.



For the year ended December 31 last, the railway departments transported 199,655,917 revenue and transfer passengers over 27,623,944 car miles in 2,903,250 car hours. The electric department reported 47,235 meters in operation with a total of 93,734,321 K. W. H. sold and the gas department 77,219 meters with 1,553,898,300 cubic feet of artificial gas and 1,135,493,800 cubic feet of natural gas sold. The foregoing statistics do not include figures for the American Cities Co. If American Cities Co. was included the totals would be approximately doubled.

Position of Securities

How are the stocks of the United Gas & Electric Corporation to be regarded? Obviously on its price and dividend record the first preferred cannot be classed as a seasoned security of the first grade.

There is still a considerable speculative tinge to this issue which makes it a desirable investment for a business man who is willing to take a reasonable risk in return for the higher yield it offers and its speculative possibilities, but it is not an issue which can be recommended at this time for one who is wholly dependent upon return on invested capital.

The second preferred and common should be regarded as long-pull speculations. Dividends on the former are obviously a long way off and still further off for the latter. As the position of the first preferred improves so will the position of the second preferred and common become sounder, but the time when they will be able to go on a dividend basis seems at least several years hence, and therefore, they should be purchased only by those who are willing and able to sit back and await the development of the company.

Table 3

THE UNITED GAS AND ELECTRIC CORPORATION

Comparative Results of Operation of Subsidiary Companies For Years Ended December 31st,

	1915	1914	1913	1912
Gross Earnings	**$13,564,410.78**	**$13,129,132.98**	**$12,782,193.38**	**$12,173,078.40**
Operating Expenses including Maintenance	**6,836,119.00**	**6,912,293.95**	**6,835,101.22**	**6,476,452.69**
Net Income	**6,728,291.78**	**6,216,839.03**	**5,947,092.16**	**5,696,625.71**
Taxes	**821,428.64**	**761,050.06**	**673,103.34**	**603,615.13**
Gross Corporate Income	**5,906,863.14**	**5,455,788.97**	**5,273,988.82**	**5,093,010.58**
Fixed Charges	**3,419,897.03**	**3,344,298.08**	**3,207,782.28**	**2,886,426.71**
Balance Available for Renewals, Financing and Dividends	**$2,486,966.11**	**$2,111,490.89**	**$2,066,206.54**	**$2,206,583.87**

Note.—The figures prior to 1915 have been adjusted by elimination of earnings of properties subsequently disposed of, etc.

Public Utility Inquiries

Phila. Co.

G. F., Elmhurst, L. I., N. Y.—The Philadelphia Company for several years past has averaged earnings considerably over the 7% per annum dividend now being paid on the common stock. In 1911 12.87% was earned; in 1912, 13.22%; 1913, 11.04%; 1914, 10.12%; 1915, 8.89%, and in 1916, around 12%.

At present prices of around 41 (the par value of the stock is $50) the yield is, as you say, 8½%.

There are no unfavorable franchise conditions that we know of which are of sufficient importance to be an unfavorable factor of consequence. This company has expended out of earnings from 1886 up to 1915 about $22,000,000 for gas and oil wells, transportation pipe lines and other equipment. The company owns and controls leases on about 700,000 acres of oil and gas territory in western Pennsylvania, West Virginia and Ohio. At present prices we should regard the common stock as an attractive, long pull speculation.

Canada Light & Power

M. J., Kaukauna, Wis.—In view of the small surplus Canada Light & Power Co. is able to show over the interest on its first mortgage 5s, these bonds must be regarded as semi-speculative. This company, however, appears to have excellent possibilities of increasing its earning power, and as a semi-speculative bond we regard the 5s as attractive.

Georgia Railway & Power

B. C. H.—Georgia Railway & Power was incorporated in Georgia in 1911, and acquired the properties of several public utility companies operating in that State. The company owns four developed hydro-electric plants, and property controlling other undeveloped powers.

The company's earnings are sufficient to cover interest charges and leave considerably over half a million dollars to spare. Earnings have been showing a good increasing tendency. For the three months ended March 31, 1916, net earnings were $750,644, as against $643,250 the previous year.

The capitalization of the company is as follows:

Common stock	$15,000,000
Second preferred	10,000,000
First preferred	2,000,000
Bonded debt	13,584,519

The stock of this company must be regarded as speculative, but appears to have good possibilities. While the company's earnings are sufficient to pay dividends now, the management takes the stand that the financial condition of the company should be further strengthened before dividends are started, which would appear to indicate that when dividends are begun they are likely to be permanent.

Nor. Ont. Light & Power

M. H. J., Pittsfield, Mass.—Northern Ontario Light & Power Co. 6% preferred stock at 65 we should regard as a suitable stock for a business man to put a portion of his funds into. It has possibilities of working somewhat higher. The preferred dividend is earned more than twice. One point which should be considered in regard to this company is that it serves a mining camp—Cobalt. Mining camps do not last forever, and a company of this kind should provide for the gradual retirement of its securities. This, Northern Ontario Light & Power Co. is doing by means of a general reserve fund. In 1915, $122,500 was placed to the credit of this fund, and in 1914, $100,000. This company is so well established in its territory that it has little to fear from competition, even though its franchises are exclusive for 10 years only.

Am. Light & Traction

M. F., Rochester, N. H.—American Light & Traction Co. common stock can be regarded as a fairly attractive semi-speculative investment at its present price of around 376. The company pays 10% per annum in cash dividends and 10% in stock. For the year ended December 31, 1915, the company earned 24.62% on its common stock. In 1914 22.32% was earned. Its earnings show a steadily increasing tendency. While the stock can be regarded as a fairly attractive investment issue at present levels, we do not look for much of an advance in its price.

Good Utility Bonds

D. K. F., Allentown, Pa.—Dayton Power & Light first and refunding 5s, Utah Power & Light first 5s, and Omaha & Council Bluffs Railway & Bridge first consolidated 5s are all good public utility bonds and suitable investments for a business man.

Dayton Power & Light earned its interest charges about two times in 1915, and Utah Power & Light earned its interest charges with a substantial margin to spare. Omaha & Council Bluffs Railway & Bridge Co. is leased to the Omaha & Council Bluffs Street Railway Co. until 1947. Under the terms of the lease, the latter company pays all interest charges, and, in addition, $60,000 per annum. There are $1,623,000 of the first consolidated 5s outstanding. The bonds are a first lien on all property owned, including toll bridge, power house, park, etc., also $600,000 bonds of the Omaha, Council Bluffs & Suburban Railway, which are deposited as security. The Omaha & Council Bluffs Street Railway recovers its interest charges, etc., with about $500,000 to spare.

We should favor these bonds in the following order: Utah Power & Light first 5s, Omaha & Council Bluffs Railway & Bridge first cons. 5s, Dayton Power & Light first and refunding 5s.

Toledo Traction

A. B., N. Y. City.—Toledo Traction, Light & Power is controlled by the City Service Co., and for that reason is assured of excellent management. Conditions are more favorable than they have been for some time past, as the franchise question in regard to Toledo Railway & Light is being satisfactorily adjusted. Our suggestion to you would be to hold this stock for somewhat higher prices.

United R. R. of San Francisco

F. E. N., Philadelphia, Pa.—The decline in the United Railroads of San Francisco 4s is due to the rather poor financial condition of the company. We, however, do not suggest that you sell them at present prices, as we believe that at their present price they have discounted the very worst that can happen, even in the event of a reorganization. We do not look for them to go very much lower.

Notes on Public Utilities

Brooklyn Union Gas.—Before amortization company earned in 1915 17.8% on the $18,000,000 capital stock, compared with 15.2% in 1914. Net after amortization charge of $1,387,512 was $1,717,059, equivalent to 9.54% on the stock compared with $1,295,381 or 7.20% in 1914. Company's books show 13,747 new customers. Back taxes partially paid.

Brooklyn Rapid Transit.—April earnings show an increase of about $170,000, or an average of $5,500 per day. If gain holds good for balance of year, it will mean $1,500,000 additional to gross; bring total income up to about $28,000,000.

Chicago Elevated Railways.—Recent municipal elections in Chicago attributed to as reason for non-consummation of merger of surface and elevated lines and fear that there may be difficulty in renewing $14,000,000 notes which mature July 1. Not unlikely that merger plan similar to the one made between the City of Chicago and the surface lines will be adopted.

Cities Service.—Company will soon announce calling for payment between June 12 and July 12 of entire issue of $7,000,000 7% five-year notes due March 15, 1918. Notes to be paid at 102 and interest any time between two dates, interest ceasing after July 12. Funds available for this purpose secured from proceeds of sale of $14,000,000 worth of bonds of Empire Gas & Fuel Co.

Chicago Railways Co.—Company expected to make some distribution in 1916 on its series "2" participation certificates. Company will have additional fixed charge this year as result of rate on the $4,073,000 purchase money bonds automatically advancing from 4% to 5%. This will be more than offset by increase in receipts through company's getting 60% instead of 59% of the residue receipts of the Chicago Surface Lines.

Edison Co. of Boston.—For ten months ended April 30 gross earnings were $7,009,429, an increase of $715,536, or 11.37%, over corresponding period last year.

Federal Light & Traction.—Annual report for fiscal year ended Dec. 31, 1915, shows gross $2,352,015, a decrease of $64,945 due to decline in gas sales. The net after taxes was $806,299, as compared with $888,354 in 1914, a decrease of $82,299.

Interborough.—Company has paid City of New York $2,181,363 for taxes and revenue. April passenger total increases 8.6% over previous year. Increase in gross passenger revenues for April was $266,733. Total number of passengers carried on both lines for ten months of fiscal year ended April 30, 1916, was 565,512,189, a gain of 26,193,354 over the same period of last year.

Massachusetts Electric.—Company in nine months to March 31 earned a balance for its $24,128,000 preferred after taking out $75,000 for parent company interest of fully 2%. Expected that last quarter will produce net better than $240,000. Company today earning 8% on its selling price.

New York Telephone.—Company gained more than 91,000 'phones in New York State and New Jersey last year. Serving 1,246,000 users.

Ohio Cities Gas.—Company will shortly file application for listing of $7,600,000 common stock on New York Stock Exchange. Par value of the stock was recently reduced from $100 to $25, four shares of the new stock now being exchanged for one share of old. The company is paying 8% dividends on its stock and distributing natural gas to several Ohio cities and has extensive oil properties in West Virginia.

Philadelphia Co.—Holders of 5% preferred are to be given further opportunity to exchange their stock for the 6% cumulative preferred. This exchange, share for share, may be made on payment by holders of $3 per share, subject to adjustment of the dividends as of date of deposit of the 5% preferred.

United Light & Railway.—Report for year ended March 31, 1916, shows surplus after charges and preferred dividends of $1,195,208, an increase of $139,702.

Western Union.—Expected that directors will place stock on a regular 6% basis at June meeting. Some talk of extra $2 or $3 dividend along toward close of year. At present rate of earnings, company should show net profit between $13 and $15 per share.

MINING AND OIL

Pres. H. F. Sinclair

Sinclair Oil and Refining Corporation

Latest and Biggest Undertaking by Oil "Independents"—Valuation of Properties and Scope of Operations.

By GEORGE S. PHILLIPS

ALMOST on the first anniversary of Cushing's record day's flow of oil last month, the formation of the Sinclair Oil & Refining Corp., the largest and perhaps the most ambitious undertaking ever launched in this country by independent oil interests was announced.

The event more than any other of the year is significant of the revolutionary changes which are taking place in the petroleum industry of our country, and of the development in investment quarters of a favorable sentiment toward oil securities. Heretofore banking capital has taken only a passing interest in the financing of petroleum enterprises. The Standard Oil Companies have never had any need of outside capital. The astounding success which has attended these companies was, up until a few years ago, considered a sort of inherited monopoly in which it was impossible for an outsider to share notwithstanding the changed conditions. But independent companies have come to the front with remarkable strides of late. True, this may be due to the force of circumstances rather than to any equality of advantages possessed, but the fact remains that the growth of the oil industry has been so enormous and the business has been established on such a solid footing, that outside capital could not well have missed the cue. With characteristic enterprise the English long since recognized the possibilities of the petroleum business. It does no credit to New York to say that London is the great oil securities market of the world, in view of the fact that the United States produces almost three-fourths of the world's total crude petroleum output.

Financial Backing

The Sinclair corporation was financed by a group of New York bankers representative of the strongest and most conservative elements in Wall Street. Kissel, Kinnicutt & Co., White, Weld & Co., Montgomery, Clothier & Tyler, and Spencer, Trask & Co. composed the syndicate which underwrote the $16,000,000 bond issue, the proceeds of which were used in the purchase of the various properties which went into the combine.

Properties

These properties include:

1. Four modern refineries located in the Mid-Continent field now the center of greatest production of high grade crude in the world. The principal one of these plants is that of the former Milliken Refining Co. at Vinita, Okla. It has a capacity of 8,000 barrels of crude daily and is being enlarged to handle about 15,000 barrels. The works include a complete by-products plant

which has recently been built. Second in importance is the Cudahy refinery at Coffeyville, Kan., which has a capacity of about 5,000 barrels a day, and is also a by-products plant. The other two plants are those of the Chanute Refining Co., a 5,000 barrel skimming or topping plant at Cushing, and a smaller unit of the same kind at Chanute, Kan. These combined plants have a present daily capacity of about 20,000 barrels of crude.

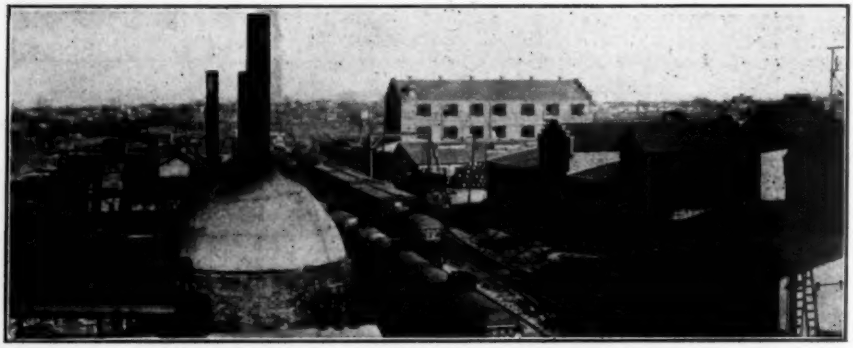
2. A pipe line system of some 500 miles of trunk and gathering lines, including the Milliken system of about 130 miles from Cushing, Okla., to Vinita, Kan., with laterals to Independence and Coffeyville, Kan. It is planned to extend the pipe lines to Eastern and Central Oklahoma, so that the system will cover most of the northeastern Oklahoma fields.

3. Oil leases covering about 100,000 acres in Kansas, Oklahoma and North Texas, only a small proportion of which is developed property. The present daily output is about 15,000 barrels. The producing properties are for the most part directly connected with the refineries by the subsidiary companies' pipe lines. The most active operations of the company are now centered in the South Cushing field, where it has over 21 wells drilling and is steadily increasing the production. It is expected that within the next sixty days the properties will be brought up to a producing basis of over 20,000 barrels a day, which would equal the requirements of the refineries. On its South Cushing leases the company is getting some of the highest grade oil produced in Oklahoma, running 27 per cent. gasoline. This is what is known as premium crude, and at this writing commands a price of $2.05 a barrel at the well, as compared with the posted market quotation of $1.55.

Valuation of the Properties

E. R. Kemp and P. A. Gilbert, the engineers selected by the underwriters to examine the Sinclair oil holdings, in making their report estimated that not less than 7,197 acres of the corporation's leaseholds were drilled and producing territory. The balance of the acreage they stated, had been assembled by a group of successful and well known operators, and could be considered as well selected. In territory of this kind the usual assumption of productivity is taken as being from 5 per cent. to 10 per cent. of the total area. The engineers, however, assumed the expectancy of oil production in the undrilled acreage at one-half of one per cent., placing the market value of the leaseholds on this basis at $5,000,000 and the total value of the producing properties and leaseholds at $30,565,200.

Experts have appraised the refining properties, pipe lines, etc., at over $10,000,000 on the basis of their replacement value and net quick assets. Thus the total valuation submitted to the under-



View of Section of Coffeyville, Kansas, Refining Plant of Sinclair Oil & Refining Corporation. Entire Plant Covers 60 Acres.

writers for the entire group of properties was $40,565,200.

Capitalization

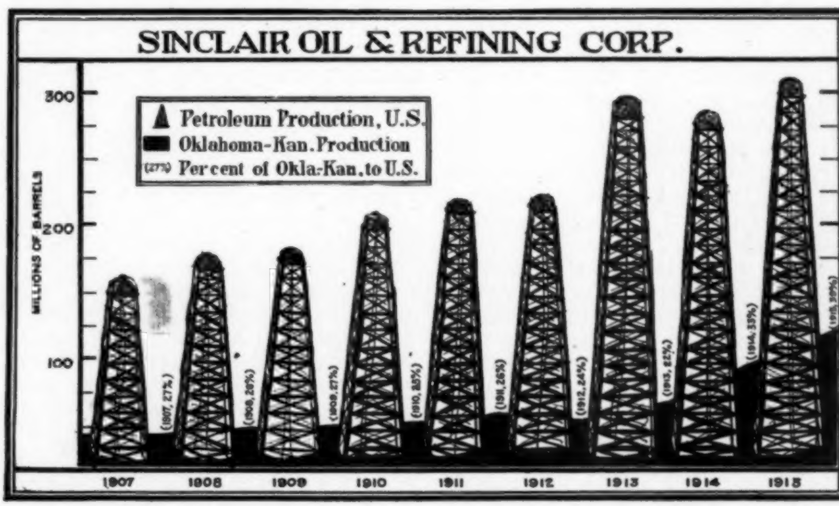
The Sinclair proposition is capitalized for $20,000,000 ten-year convertible 6 per cent. gold bonds, $16,000,000 of which are at present issued, and 1,000,000 shares of common stock of no par value, of which 520,000 shares have been issued. The bonds are a first lien, through ownership of all the securities of four subsidiary companies on all the properties of the corporation. A sinking fund of $800,000 per annum, first semiannual payment November 1, 1916, will call the bonds by lot at 110 and interest until May 1, 1917, and thereafter at 115 and interest if bonds cannot be bought on tenders at or below these prices. If additional bonds are issued it is provided that sinking fund payments be increased pro rata.

An additional sinking fund of at least 20 per cent. of net earnings in each year after payment of interest and minimum sinking fund payments is also provided. The bonds are convertible into stock at the rate of $110 bonds for two shares of stock until May 1, 1917, and thereafter at the rate of $115 bonds for two shares of stock. Of the unissued stock amounting to 480,000 shares, 363,637 are reserved for conversion, leaving in the treasury 116,363 shares.

Trading in the stock started on the New York curb at around $50 a share. This figure assumed an aggregate market value for the 520,000 shares outstanding of $26,000,000, which with the $16,000,000 bonds at par, gives a total market valuation of $42,000,000 for the securities representing the equities of the corporation. Thus a market quotation for the stock of $50 a share assumes a total value for the properties but slightly in excess of the appraised value, which was on an ultra conservative basis.

Prices Paid for Various Properties

For the Milliken properties it is understood that $9,500,000 cash and 50,000 shares of Sinclair Corporation stock was paid over, and that $6,000,000 and a stock bonus was the consideration involved in the purchase of the Cudahy plants and pipe lines. Presumably the producing properties in which H. F. Sinclair, the president of the new corporation, was himself the largest owner, went into the deal for stock.



Earnings

As up to this writing no detailed figures on the earnings of the separate companies have been given out, there is very

little data on which to base an independent opinion as to the individual earning power of the various properties. In his letter to the underwriters, President Sinclair stated that exclusive of any earnings from the producing properties, net earnings of the refineries and pipe lines for the year 1915 were approximately $2,069,000, which is in excess of 12 per cent. on the cash price reported paid for them. This amount is well over the interest and sinking fund on the bond issue. The figures do not, however, reflect the full earning power of the properties as they now exist, according to Mr. Sinclair, since extensions, improvements and additions were made during the past year which measurably increased their efficiency and capacity. He gave upwards of $3,000,000 as his estimate of earnings for the current 12 months beginning May 1.

As to the producing properties Mr. Sinclair stated that, estimated on the basis of the production May 1, which was then around 13,500 barrels a day but has since been increased to over 15,000, and making a moderate allowance for additional production from wells drilling, net would run over $7,000,000 for the year. Combined net of all properties, according to these figures, would exceed $10,000,000 for the first year of the corporation's operations. On the basis of such earning capacity the proportion required for the sinking fund under the provisions described above would amount to $2,448,000 in addition to interest of approximately $900,000, making total deductions of say $3,400,000. This calculation would indicate a balance of $6,600,000 available for dividends on the 520,000 shares of stock now issued, or the equivalent of approximately $12.50 a share.

There is nothing in the way of figures at this writing which may be added to the above, but it should be borne in mind that these are estimates probably based more or less on the present market quotations for crude and refined products and for this reason subject to revision with any upward or downward swing in prices.

From the foregoing it appears the bonds of this company possess sound investment features, while the stock has considerable speculative possibilities. The conversion provision of the bonds also gives them a speculative value.

Refinery Operations

The consumption of petroleum products at present is taxing refinery capacity throughout the country, and there appears to be no reason to expect any change in the situation for some time to come. The situation from a general standpoint has been gone into so frequently of late in this magazine as well as the daily and financial press that it is needless to dwell upon it here. It has been seen that the Sinclair Refineries are admirably located so far as crude supplies are concerned, being in the center of the producing field and having direct pipe line connections with the wells. Obviously this means economies as compared with the cost of operating refineries which are distant from the sources of supply. The main reasons why a majority of the big refineries are located on the Atlantic seaboard is because of the strategical advantages which they enjoy in relation to the heavily populated industrial districts and to the export markets. In weighing this argument, however, it should be borne in mind that most of the present seaboard plants were built at a time when the Pennsylvania field was the great source of supply and also before the West was in anything like its present stage of growth. Admittedly the interior markets are enormous consumers of petroleum products and the interior refineries have obvious advantages of location in catering to this demand. In this connection it may be cited that the plants of one of the most successful of all the Standard Oil Companies, namely, Standard Oil Company of Indiana, are located in the Middle West and are run almost entirely on Oklahoma crude. The Indiana Company's largest plant is at Whiting, Ind., and it also has an important plant at Sugar Creek, Mo., the latter being in the same zone as the Cudahy refineries of the Sinclair Corporation.

The future of the producing end of the Sinclair Corporation's business appeals more strongly to the imagination than

that of the refining branch. The big money has always been made in producing oil although the refining business is attended with less risk. A combination of the two with adequate transportation facilities is the ideal one.

Oklahoma Oil Production

In view of Sinclair's identification with oil producing in Oklahoma since the so-called mid-Continent fields became important, it is of interest to sketch briefly their rise to a dominating position in relation to the world's petroleum markets. With the exception of the Louisiana fields the mid-Continent area is the newest oil field in this country to be developed on a large scale. Its reserves of high grade oil are estimated to be the largest of any known field in the United States, being placed at 1,874,000,000 barrels. The field's first recorded contribution to the petroleum industry was in 1889. Not until 1898, however, did it supply 1 per cent. of the petroleum output of the country, which in that year amounted to 55,364,233 barrels. By 1907 the combined marketed production of the field equaled over 28 per cent. of the country's total production, but it was not until 1914 that Oklahoma oil came to be recognized as a leading grade in the market. The output of over 76,000,000 barrels of the mid-Continent area in that year comprised nearly 37 per cent. of the total of the production of the United States. What was more important, however, was the fact that the prolific Cushing pool produced an exceptionally high grade oil which was in great demand on account of its high gasoline content. Heavy production of this oil forced it into the Eastern markets, where up until that time Pennsylvania Crude had been the king-pin grade. When the Cushing pool was opened up Oklahoma became the Mecca of oildom. The average daily production of the entire field jumped from 250,000 barrels a day in December, 1913, to over 300,000 barrels in the following June.

The oil game is an alluring one. Fascinated with its speculative possibilities the ordinary human is tempted to commit the most rash excesses in the pursuit of the fortune he hopes to find at the end of a drill. Hence the striking of a new pool of any promise generally portends temporary over-production. In the case of Cushing the phenomenal flow of oil combined with the demoralization of the petroleum trade at the outbreak of the war, brought about a period of very great depression in the industry during 1914 and early in 1915, but as on previous occasions the change in conditions was inevitable. The story of the decline in the Cushing pool and the remarkable recovery in the oil business which followed is a familiar one.

Sinclair

H. F. Sinclair's name has become a synonym for success in Oklahoma. He entered the oil business as early as 1900, and so went through all the exciting periods of the early strikes, notedly when the Glenn pool and Canary pool were discovered. He soon became one of the leading producers in the mid-Continent field and had amassed a considerable fortune prior to the discovery of the great Cushing pool. When its wonderful gushers began to flood the market with cheap oil and less experienced operators believed that ruin was in store for the independent oil people Sinclair set out to build tanks and store crude. The largest tank farm in the world was erected by the firm of White & Sinclair at Cushing in 1914, and huge quantities of oil were stored by them. This investment, together with the leases which they bought up during the depressed period netted millions a year or so later. The last of the White & Sinclair producing properties and tankage was sold some few months ago to the Standard Oil Company and others, bringing over $7,000,000. When that sale was consummated the partnership dissolved and Sinclair conceived the idea of forming the present big corporation. It is characteristic of him that he took less than a month to do it.

Oil Notes

Atlantic Petroleum.—Contract just entered into for sale of casinghead gas from the 17 producing oil wells. Net earnings of company are at the rate of approximately 19% per annum.

Cosden.—On its $1,225,000 common stock outstanding, April net earnings in excess of 100%. Interests in close touch with management expect net earnings for 1916 will reach $2,000,000. Surplus will be largely expended in acquiring new production.

Galena Signal.—Business so far for years shows increase of approximately 30% over corresponding period last year. Company has recently purchased a steamer for barrel shipments of oil to South America, and contemplates the purchase of a tanker for use between New York and European countries as soon as shipping conditions return to normal.

General Petroleum.—Reported that reorganization committee will buy in the properties for the benefit of depositing security holders. Holders of $3,000,000 notes have foreclosed on their collateral and the $6,000,000 bonds will be deposited with the committee. Of the pipe line securities all have been deposited except fifteen bonds and 37½ shares of Class A stock. This is part of an estate and doubtless will be deposited. Out of $19,200,000 free and collateral bonds or certificates representing them, $18,000,000 has been deposited.

Mexican Eagle Oil.—Report for the year ended June 30, 1915, shows surplus after final dividends of $4,822,227—an increase of $653,808. Net after depreciation was $5,951,377.

Mexican Petroleum.—Company working out plans to increase the gasoline production at its Tampico refinery. Expected to produce 75,000 barrels per month by the end of the year. Sales for the first three months of year amounted to 2,111,516 barrels, compared with 1,489,375 in the first quarter of 1915, a gain of 622,141 barrels, or well over 40%. Gross earnings in first quarter of this year increased $559,420 over a year ago.

Sinclair Oil.—Company's production now averaging 15,000 barrels a day. Reported that syndicate will be able shortly to announce sale of entire issue of $16,000,000 bonds within the next few days. Anticipated earnings for next twelve months of $10,000,000 will be sufficient to provide for sinking fund of $2,448,000, interest on the issue, and leave a balance equal to more than $13 a share for the stock.

Sapulpa.—April earnings, from refinery operations, approximated $65,500 net, compared with $53,000 in March. Other income in April was $2,500, compared with $18,000 in March, making a total of $68,000 for April, against $71,000 in March.

Standard of Kentucky and Continental Oil.—1915 statement reports net of $1,124,640, an increase of $420,000 over 1914. Dividend requirements at present rate of 5% quarterly would be $600,000 on the $3,000,000 capital. Estimated current earnings are running at rate more than double this figure.

Tide Water Oil.—Earnings continue at record high rate and company doing capacity business. Company reported net income last year of $2,404,324, including $991,584 realized from its own operations and $1,412,740 in dividends paid by subsidiaries. These dividends represented less than 50% of aggregate net earnings of subsidiaries, which amounted to $3,390,322.

United Western.—Company announces purchase of the Successors' Oil Co. whose properties consist of 40 acres in the McKittrick district in California. Present production on this acreage is about 3,000 barrels of crude oil per month. This gives the United Western Oil Co. in its California fields, a production of 10,000 barrels a month or double its production of thirty days ago. The company also owns under lease 12,500 acres in Wyoming, divided as follows: 10,000 in Cheyenne; 1,000 in Chug Water and 1,500 in Caspar. Arrangements are under way for drilling on their Cheyenne property and work should commence within a few days.

Victor Oil.—Company has recently acquired the Davidson Oil Co., Harrison County, W. Va., Arthur Sheets Oil Co., Harrison County, W. Va., Randolph-Ward Co., Doddridge County, W. Va., Demo Oil Co., Harrisson County, W. Va., J. T. Miller Oil Co., Harrison County, W. Va., and Gifford Oil Co., Harrison County, W. Va. Reported that approximate net income from these properties alone is $100,000 per year. Progress is reported from the Columbia county, Ohio, field. New and more producing properties are to be acquired in the very near future which will place the Victoria Oil Co. in a high position among the independent producers of high grade petroleum.

Vacuum Oil.—Erection of large refinery on New Jersey shore of Delaware river near Lincoln Park started. Cost of the land is said to have been about $500,000. The company has already ordered storage tanks for the new plant and plans have been made for piers, docks, wharves and railroad trackage. Estimated that new plant will cost $3,000,000.

A smile is like putting money out at interest. A frown is worse than a bad debt.

Oil Inquiries

Ventura Consolidated

J. B., N. Y. City.—Ventura Consolidated Oil Fields has 440,897 shares outstanding, par value, $5. Its wells are located in California. The company is producing about 2,000 barrels of oil daily. If the price of gasoline is maintained at its present high level, Ventura's earnings will be very satisfactory. Recently a refinery having a capacity of 2,000 barrels daily was completed by one of the subsidiary companies. Its management is well regarded. W. P. Hammond of Boston organized the company last year Some of its large stockholders are: Messrs. Hayden, Stone & Co., The Evans Estate, Messrs. F. H. Prince & Co., U. S. Smelting & Refining Co., Mr. W. H. Coolidge, Edw. A. Clark.

The company is too new to justify the expression of an opinion on it with any degree of emphasis. It seems to have the earmarks of a solid enterprise, but until it has demonstrated its earning power it cannot be regarded as other than a speculation

Mexican Petroleum

J. M. R., Montreal, Canada.—Mexican Petroleum at present levels we consider an attractive speculation, although there is a considerable element of risk attached. Recently the 8 per cent dividend was resumed on the preferred stock. Earnings are running very large. A few months ago the company announced that it had contracted for delivery of oil in 1916 at prices which would assure earnings of 12 per cent on the common stock. In view of the continued increase in the price of oil, earnings for 1916 will probably be considerably larger than that. Recently a new gusher was struck which promises to be a record maker. A purchase of Mexican Petroleum, in our opinion, should be protected with a stop loss order.

National Transit

B. F. G., Rochester, N. Y.—National Transit at $18 we consider an attractive speculation. Of course, in connection with its present price, you must remember that it is selling ex-dividend the special dividend of $12.50 per share, which was recently paid. This company has a large plant at Oil City which is said to be operating at full capacity. Profits from this source promise to be considerable and in view of this, as well as the increased pipe line earnings this year, the stock appears to be selling at a very conservative price.

Victoria Oil

G. E. A., Paterson, N. J.—Victoria Oil is largely in the prospective stage and, of course, it is impossible to tell how development work will turn out. The stock is highly speculative and what its future market course will be it is practically impossible to forecast.

Ohio Oil

D. R. S., Youngstown, Ohio.—Ohio Oil Company is at the present time making very large profits because it is a large producer and in a position to greatly benefit from the advance in the price of oil. It is impossible to say just what the yield of the stock is as it is not known what the company's extra dividend policy will be. Should oil maintain its present high level, however, it is quite likely that dividends even more liberal than the present ones will be paid. This stock can be regarded as an attractive, semi-speculative investment for a business man.

Union Oil

S. J. S., N. Y. City.—The Union Oil Company of California has an issue of first lien sinking fund 5s due in 1931 of which there are approximately $6,000,000 outstanding. The bonds appear to be well secured by lien on the property directly owned and operated by the company, subject to some $4,615,000 of prior liens. The net earinings in 1914 were about 6½ times the interest charges. We consider this bond also to be a safe investment. The stock, of course, is speculative, but in view of the present boom in oil it has possibilities of going higher.

Pierce Oil

R. W. East Mauch Chunk, Pa.—Pierce Oil is, of course, speculative, but appears to have considerable possibilities. The company owns very valuable property in Mexico and the future course of the stock this year will very probably depend on how conditions in Mexico work out. It is our opinion that if you hold on to this stock the chances are very fair of your being able to get out without taking a loss.

Cosden Oil & Gas

B. T. B., Tappahannock, Va.—Cosden Oil & Gas preferred can be regarded as a fairly attractive semi-speculative investment suitable for a business man to put a small portion of his money in. The property of the company appears to have considerable possibilities and the management is good. We suggest that you hold it for investment.

Prairie Pipe Line

R. A. W., Springfield, Ohio.—Prairie Pipe Line at present prices appears to be selling at a fairly conservative price. The earnings of the pipe line companies have been pretty thoroughly limited by the supervision of the Interstate Commerce Commission, and, while at present prices Prairie Pipe Line can be considered as a fairly good semi-speculative stock, we do not believe that it will advance very much.

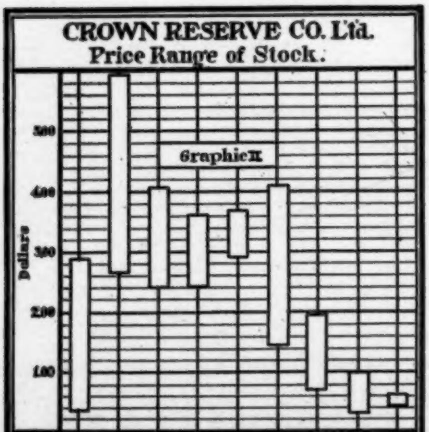
Crown Reserve Co., Ltd.

Reasons for Its Market Decline—Book and Actual Value of Stock—Can the Company "Come Back"?—Financial Position and the Outlook

By MALCOLM B. ARMSTRONG

SILVER properties, like pulchritude, are apt to be attractive but transitory. The nature of the white metal, in addition to its pleasing aspect, has other traits commonly classed as feminine, in that it is an exceedingly elusive and unstable substance. Usually in silver mines the metal occurs in rich veins, often close to the surface, as in the case of the Crown Reserve Company, Ltd., and other similar properties in the Cobalt district, and is easily worked, but "peters out," as the mining expression has it, at depth.

This is an essential characteristic of the Cobalt properties—the thinness of the veins—and Crown Reserve is no exception to the general run of that district. Since its incorporation in 1907, this company has been a large and valuable silver producer and a big dividend payer, having disbursed $6,102,408 to its stockholders to date, but the sere and yellow leaf age has arrived and now it is up to the management to extend their field of operations to other more profitable districts, or else to commence to look forward to the time when the final distribution must be made to the shareholders.



Crown Reserve's Publicity Policy

The foregoing statement will not come as a surprise to those shareholders of this company who have taken the trouble to scan the company's annual reports, for these reports have been a frank and full statement of the company's operations and financial status. There have been no "concealed assets" uncovered suddenly for stock manipulative purposes, nor omissions in the statements tended to reassure and lull the owners of the company into the belief that their property had many years of life ahead. Perhaps it is an essentially American trait for mining companies to bamboozle the stockholders into the belief that all is well, while the "insiders" work off their holdings until the steady decline in market values finally points unwaveringly to the conclusion that something is wrong in Denmark. At all events the shareholders of Crown Reserve have not been kept in the dark.

The concluding remarks of General Manager Samuel W. Cohen to the stockholders, which appeared in last year's annual report, is an example of how fully and frankly the management takes its stockholders into its confidence. He said in part:

"The future of the Crown Reserve Mining Company, beyond the life of the two mines it now controls, depends altogether on its abilities to acquire new properties. As a result of our efforts and organization, we were successful in acquiring what seems to be a very valuable property under especially advantageous terms. I very strongly recommend that the company continue its policy of prosecuting a vigorous exploration campaign wherever the conditions

are favorable. It is very apparent and natural that every mine will work out, and it is only by the acquisition of new mines to replace the old one that a mining company can hope to permanently make a profit."

Under similar conditions the investor in American mining stocks would probably be treated to something like this:

"While your company shows no material increase in ore reserves during the last year there is every indication that new and important ore bodies will be uncovered within a short time. Exploration work is being actively conducted under the able supervision of Manager Blinkum and we have every confidence in his ability to solve the ore reserves problem in a manner which will be highly satisfactory to the company's stockholders."

Perhaps one perceives from the last paragraph why mining and mining stocks have fallen into such disrepute in this country. But to return to Crown Reserve.

TABLE I—CROWN RESERVE CO., LTD.

Production Statistics—Years Ended Dec. 31

	Ore Prod. Tons	Silver Prod. Gross Ozs.	Gross Value	Net Value	Results Per Ounce Gross Cents	Cost Cents	Profit Cents
1915	94.10	657,395	$344,596	$339,425	52.40	45.01	7.39
1914	307.70	1,425,320	740,093	722,873	51.92	28.95	22.97
1913	312.60	1,766,678	1,056,271	1,040,117	59.45	23.02	36.43
1912	512.00	2,714,766	1,692,060	1,638,191	62.32	14.02	48.30
1911	1048.59	3,430,902	1,833,516	1,751,300	53.46	10.67	42.79
1910	2753.00	3,248,196	1,757,824	1,633,716	54.10	11.97	42.13
1909	3093.00	4,034,325	2,080,156	1,895,484	51.56	10.31	41.25
1908	650.78	1,798,954	910,350	854,788	50.64	7.50	43.13
Totals	8771.77	19,086,536	$10,414,869	$9,875,898	*54.29	*17.59	*36.58

*Average.

Biography of Company

Crown Reserve Mining Company, Ltd., to give it the full title, came into being on January 16, 1907, under the laws of Canada. It owns 23 acres situated in Kerr Lake, Cobalt, Ont., the title to the silver properties having been purchased from the Ontario Government. In this connection it is of interest to note that in addition to the regular tax of 3 per cent. on profits imposed on all mines in the Cobalt district, Crown Reserve paid for years a royalty tax of 10 per cent., which netted to the Government $880,315 up to the end of 1915.

TABLE II—CROWN RESERVE CO., LTD.

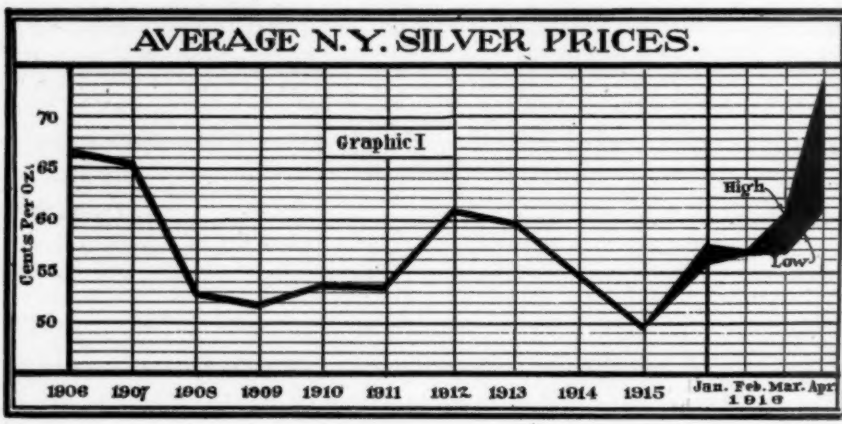
Income Account Essentials—Years Ended Dec. 31

	Ore Sales	Oper. Exp.	Net Earnings	Other Income	Total Income	Div.	Year's Surplus	Total Surplus
1915	$339,425	$326,189	$13,236	$178,578	$191,814	$106,128	$22,227	$793,938
1914	740,093	536,314	203,799	147,832	351,611	424,515	†72,904	771,712
1913	1,056,272	555,296	500,976	*318,213	819,189	795,966	23,223	84,461
1912	1,692,061	583,315	1,108,746	9,084	1,117,830	1,061,288	56,541	821,393
1911	1,833,517	677,681	1,155,836	10,318	1,166,154	1,061,288	104,865	764,852
1910	1,757,824	592,082	1,165,742	6,258	1,172,000	1,061,288	110,712	659,986

*Includes $144,000 (1913, $308,877) profit on Porcupine Crown, Ltd., investment.
†Deficit.

In view of the falling off in production the Government has agreed to suspend the royalty tax until such time as the company is showing better earnings.

Table 1, showing the decline in production during the last four years and its reflection in the income account as set forth in Table 2, tells the story of the waning fortunes of Crown Reserve better than any words could. From the high point of more than 3,000 tons of ore produced in 1909, the yearly total dropped to less than 100 tons last year and the mining and operating account showed a profit of but $13,236. Other income made up as follows: Revenue from investments $160,255, revenue from Silver Leaf lease $16,140, interest $2,182, brought the total income up to $178,578 and allowed the year as a whole to show a surplus of $22,227 after dividends of $106,128 and sundry charges and adjustments.



In the Event of Dissolution

If the Crown Reserve Company were to dissolve tomorrow what would the stockholders receive in the distribution of assets? According to the last balance sheet the stock has a book value of something like $2.79 per share, but market prices (see graphic) do not bear out this figure. Like most mining companies, Crown Reserve has not written down its property accounts, which stands at $2,033,664, and upon which only a small percentage of that sum could probably be realized in the event of liquidation. Disregarding the property account in toto, it appears that according to the last balance sheet the company had net quick assets of something like $760,258 applicable to the stock, or about 40c. per share. But it must be remembered that there are probably several years more of life left in the old properties and that the companies in which Crown Reserve holds an interest will also continue to contribute for some time to come to its treasury. In addition, the present high price of silver is of material advantage to this corporation. In the event of not uncovering new ore bodies on its own properties, or of acquiring a new lease of life by purchasing other paying properties, it would appear that Crown Reserve should pay at least several more dividends before it completes its corporate existence, which, in addition to the assets on hand at the time of dissolution, would seem to warrant somewhat better prices for its stock than those now prevailing of between 50c. and 60c. a share.

Conclusion

In short, the stock of this company seems to have somewhat over-discounted conditions existing, and would appear to offer some possibilities as a speculation at prices last mentioned, especially if one is of the opinion that silver will remain high.

Mining Digest

American Smelting.—With earnings on a steadily-rising scale, the inauguration of the addition to the refinery at Baltimore around the first of August next will probably bring balance for the common this year well above 25%. Company is sold well ahead on copper for six or seven months.

American Zinc.—Company earning at the rate of $9,020,000 per annum, or equal to $46 per share on the company's 193,120 shares, or $43 per share on the common after $600,000 is allowed for a year's dividends of $6 per share on the new 100,000 shares of preferred.

Anaconda. — Disappointment shown in 1915 report. Net earnings for the year after the payment of $984,233 interest and allowing $1,900,578 for depreciation were $16,695,806, equivalent to $7.16 per share for its stock. After paying dividends of $9,325,000 including the one of $1.50 paid in February of this year, company carried $7,370,806 to surplus. In view of increased price of copper and silver, there is every reason to believe company will earn between $45,000,000 and $50,000,000 this year, or at least 22% on the present market price of its stock. There is talk of retiring $16,000,000 of notes out of this year's earnings, also paying $10 a share in dividends and adding several million to its working capital.

Butte & Superior.—Company earning $1,250,000 a month or at the rate of $15,000,000 per annum, practically $60 per share. It is unlikely that the next dividend will be more than 75 cents and $10 extra. Company sold ahead through this month and next, and 50% ahead for the third quarter.

Calumet & Hecla.—Practically all of year's profits will be distributed in dividends as there is comparatively little construction and exploratory work under way. Report that earnings for this year will be from 25% to 30% on the present price.

Copper Range.—Available figures indicate earnings must be now running at the rate of $8,000,000 a year, equivalent to more than $20 a share annually for its stock. Confidently expected that entire profits will be distributed in dividends this year. Product for year is running 3,000,000 pounds larger than last year's rate of 37,035,000 pounds per annum—figuring half of Champion—with a cost under nine cents a pound. Plans under way for further merger for subsidiary companies. Announcement is expected shortly that the Baltic and Trimountain companies have been consolidated into the Copper Range Company.

Chino.—Falling off in production of 3,000,000 pounds reported for first three months this year as compared with preceding quarter. Unfavorable operating conditions for this period and the treating of lower grade ore, advanced the cost of its copper to 8.95 cents a pound, comparing with 7.2 cents for the last quarter of 1915. Net profit for the quarter was $2,746,986, or at the rate of $12.63 per share annually for its stock. Better results are expected in second quarter.

East Butte.—Company showing large gain in production over previous year. April production was 1,501,000 pounds or at the rate of 18,000,000 pounds a year, comparing with 12,542,058 pounds in 1915. The profits for the past three quarters are at the rate of over $3.50 a share per annum on the 411,000 outstanding shares. At the close of business April 30 the company had about $800,000 in cash and copper on hand which should increase to $1,000,000 by June 1. This compares with $475,000 two months ago.

Guggenheim.— Final announcement of company's dissolution and liquidation made. Distribution to stockholders for each share of Guggenheim stock as follows: Market value as of Jan. 17, 1916, of the se-April 17, 1916, distributed $60.30; cash as of April 17, 1916, $11.85; book value of certificates of beneficial interest in Yukon-Alaska Trust as of April 17, 1916, $15.43; making a total of $87.58. This is in addition to the payments of dividends aggregating 15% in 1915 and of 4% for the first quarter of 1916. The total amount paid to the company by its stockholders for their shares was $27,650,100; the total amount received by the stockholders in dividends was $24,152,936; the total amount realized by them in distribution as per foregoing statement was $73,018,248; accordingly the total return by the company to its stockholders was $97,171,184.

Great Northern.—Outlook for business this year reported flattering. For year ended Dec. 31, 1915, report shows receipt of trustees, $1,131,977 compared with $877,959 for 1914, an increase of $254,017. Regular disbursement of 50 cents on the 1,500,000 certificates left balance of undistributed receipts $4,126,299, against $3,819,715 a year before.

Greene-Cananea.—April report of production shows 5,348,000 pounds of copper, 205,748 ounces of silver and 1,193 ounces of gold, comparing with 5,388,000 pounds of copper, 200,709 ounces of silver, and 1,146 ounces of gold in March.

Granby.—Estimated that year ending June 30 next, company will have earned in excess of $20 a share. April profits approximate $600,000 before fixed charges as compared with $470,000 in March. Profits for the first four months of 1916 were close to $1,800,000. March production was 3,555,411 pounds of copper, 33,622 ounces of silver, and 4,135 ounces of gold. Expected that company will pay off its $3,000,000 of

bonds this year and have $30 a share left for dividends on its stock.

Hollinger.—The Hollinger Gold Mines, Ltd., the Acme Gold Mines, Ltd., the Millerton Gold Mines, Ltd., and claim 13,147 of the Canadian Mining & Finance Co., Ltd., are to be amalgamated into a new concern with a nominal capital of $25,000,000 of which $24,000,000 in $5 shares will be issued and $1,000,000 will remain in the treasury of the new company which is to be known as the Hollinger Consolidated Mines, Ltd. It is planned to give holders of Hollinger four shares of stock in new company in exchange for each share of stock now held, with same rate of dividend they are now receiving. This would take $12,000,000 of the new company's capital. Remaining $12,000,000 to be issued will be to Canadian Mining & Finance Co., who owns outright the Acme, Millerton, Claim 13,147 and the plants.

Isle Royale.—Rumors are current that directors will meet shortly and declare a dividend of $1 a share. Company should earn at least $7 a share this year.

Inspiration.—Company reported as certain to earn back in profits during the twelve months of 1916 entire amount of $15,000,000 expended to acquire its properties, develop and equip them. Year's operation should result in net earnings of $15 a share or more than 32% on the present selling price of stock. Company shortly should be producing at the rate of 120,000,000 pounds of copper annually at the cost of 8 cents a pound. With this output Inspiration could earn $7.50 a share on a 15-cent metal market, or 10% on a valuation of $75 for its stock.

Kerr Lake.—Company reports largest output of silver in five years, in April, when it produced 225,423 ounces of silver as against 214,902 ounces in March.

Kennecott Copper—Company has shipped in eight months approximately 70,000,000 pounds of copper, equal to 200% increase. The record-breaking metal prices resulting in a valuation of $13,507,148 being placed on the copper against but $2,609,650 in the year before.

Miami.—With net earnings of $11 or $12 a share company anticipates $10 in dividends this year. Profits for the year should be equivalent to 30% on the present market value of its capital stock. Now producing at the rate of 50,000,000 pounds of copper annually, equivalent to $8,000,000 in earnings or $2,000,000 in excess of total amount that company has invested in property, plants and equipment.

Magma Copper.—Company's production is now at rate of over 8,000,000 pounds a year with normal cost of about 6 cents a pound. Magma would earn over $6 a share on an average copper price of 25 cents. Earnings in the quarter ended March 31 were at annual rate of $4.50 a share or two and one-quarter times the present dividend rate. This showing is made on an average price for copper of slightly less than 22½ cents a pound, so that the subsequent quarter should run at a higher annual rate of profit.

Mohawk.—Stockholders are practically assured of a $10 dividend in July. Company made in 1915, on a 17-cent average received for its copper, profits of $15 a share. Considerable difficulty in securing underground labor reducing its production in April.

Nevada Consolidated.—Every indication that company will now produce 80,000,000 pounds of copper this year and earn between $7 and $8 per share for its stock. Production for first quarter ended March 31, 19,160,274 pounds of copper at a net cost of 8.94 cents per pound. Net earnings for three months computed on basis of 23.478 cents per pound for copper, were $2,781,811, being at the rate of $5.50 per share annually for the company's stock.

Ray Consolidated.—Notwithstanding unfavorable conditions, company earned during first three months of year net profit of $2,205,547. Larger by nearly $400,000 than the company ever has paid in dividends in any full year of its career. Earnings based on average price of 24.598 cents per pound. Production for quarter ended March 31, 16,410,108 pounds of copper at a cost of 10.579 cents per pound.

Shattuck Arizona.—Every prospect that company will earn between $13 and $15 a share for its stock this year. First four months of year company produced 6,049,521 pounds of copper and earnings figured on 25-cent metal market estimated about $1,000,000.

U. S. Smelting.—Silver operations in Mexico producing profits two and one-half times the $4 common dividend. $20,000,000 in silver ore already proved up. For first four months of year company earned close to $4,000,000 while April showing is well over $1,200,000. Estimated profits for company for half year expected to touch $7,000,000. On the basis of 75-cent silver the same proportion of extraction from the new strike means increase in silver profits of $3,750,000, of itself the equivalent of $10 per share for the common.

Utah Copper.—While operating under unfavorable conditions during first three months of present year the earnings exceeded by more than $200,000 the total amount paid in dividends in 1915. Company should earn this year, including its half interest in Nevada Consolidated profits, somewhere between $33,000,000 and $35,000,000.

Mining Inquiries

Miami

C. B. F., Paterson, N. J.—It is our opinion that Anaconda has somewhat better prospects of advancing in the market than Miami Copper, although the latter should also work somewhat higher. Miami Copper is selling at what appears to be a low price, when its present dividend rate is considered, because it has not as large ore reserves as some of the other companies. We would be inclined to suggest a switch from Anaconda to Kennecott. The latter company is expected to go on a $6 per share per annum basis shortly, and it has excellent prospects of a further advance in price.

Franklin Mining

R. A. J., Mound City, Ills.—Franklin Mining Co. is doing better at the present time than it ever has in its history. Earnings are said to be running at the rate of about $6,000 net per month. We believe this stock has prospects of working somewhat higher. We do not particularly favor it, however, as a stock to hold permanently and we suggest that you sell out as soon as you can do so without taking a loss.

Tuolumne

C. A. S., Chicago, Ill.—There have been rumors to the effect that Tuolumne Copper may possibly be taken over by North Butte. This would be a favorable development for the company, as, with North Butte in control it could be more economically operated. The stock is par $1.00, full paid and non-assessable. A low-priced copper which we believe to have excellent future possibilities is Ray-Hercules. This can be regarded as a good long-pull, mining speculation.

Three Gold Stocks.

H. L. H., Wallace, Idaho.—Three gold mining stocks which we would be inclined to favor, are Alaska Gold, Alaska Juneau and United Eastern. The first two are thoroughly proven properties and can be regarded as excellent semi-speculative mining stocks. United Eastern is more speculative but appears to be a property of considerable promise. It is located in the Oatman District of Arizona. D. C. Jackling, the well-known mining expert, is on the board of directors.

Tennessee Copper

B. F., Kalamazoo, Mich.—It is estimated that Tennessee Copper will show about $15 per share earned in 1916. A large part of this, of course, will be due to the high price it is receiving for sulphuric acid, which is a direct result of the war. This stock must also be classed as a "war stock."

Jumbo Extension.

G. H. M., Brooklyn, N. Y.—Jumbo Extension owns 70 acres of mining claims in the Goldfield District, Esmeralda County, Nevada. There is outstanding 1,550,000 shares, par value $1.00. Net profits for February were $25,000, equal to 1.6c. per share. The company has not much ore blocked out, but it is reported that recent development work has been favorable. The future course of the stock will probably largely depend on how ore values develop.

Ray Consolidated.

S. B. G., Magnolia, Colorado.—Ray Consolidated is an excellent copper investment issue and we see no reason why you should not keep it for investment purposes. We do not believe that much of an advance can be expected in this issue in the immediate future, but it should hold well around present prices.

Yukon Gold.

F. M. W., East Boston, Mass.—Yukon Gold in 1915 earned 21c per share on its 3,500,000 shares of stock, par value $5. The company recently negotiated a $5,000,000 loan with the Guggenheim Exploration Company, which takes care of its financial requirements. Several new properties have been purchased recently, adding materially to the company's life. At present prices the stock can be regarded as a fairly good mining investment, but we do not look for much of an upward movement in it. Recently Wm. Loeb, Jr., was elected president instead of S. R. Guggenheim. This, however, does not indicate any change of management.

Ontario Silver

C. H. R., Hartford, Conn.—Ontario Silver Mining is, of course, speculative but appears to have considerable possibilities. While the best ore has been taken out of this mine, there is still a large quantity of low grade ore which can be mined at a profit, with silver at its present price. The company has a liquidating value not very far from the present market price ($8) of the stock.

Magma Copper

P. W. T., Durham, N. C.—Magma Copper looks attractive as a permanent dividend-paying investment. Of course, it is a speculative investment. Part of the dividend should be set aside to amortize the principal, as the mine is not going to last forever. There are about two years' supply of ore blocked out, but prospects of developing more are regarded as very favorable.

TOPICS FOR TRADERS

Making Money in Wall Street

Some Fundamentals and Hints to Beginners—How Great Fortunes Have Been Made—Opportunities in Wall Street and How One May Use Them to Advantage.

By HENRY J. ELWELL

TO start with, it is agreed that we all want to make money; to make it honestly, rapidly, and with as high a degree of safety as possible. With this promise established, we now come to the pressing and practical question, HOW TO MAKE MONEY?

It is in "Wall Street" that the greatest opportunities for money making are offered. Real, genuine, investment bargains are to be found there quite as plentiful as in any other field. They do not parade around with the mark exposed, "Here I am, take me," but none the less they abound in "Wall Street."

Before entering "Wall Street" with the thought of investing money for profit, the investor should thoroughly search his make-up, and try and determine if he possesses in any marked degree these two essentials, foresight and intelligence. If he finds that he has them, there is no field that offers a more prolific return than the stock market. If he has not these essentials he had best stay away from "Wall Street."

Foresight Required

It is through keen foresight that his greatest success will be achieved. When Mr. Cassatt, President of the Pennsylvania Railroad Company, built the Terminal in New York, he had in mind the requirements fifty and one hundred years hence, and the same can be said of the great acquisition of coal lands by the Reading Railroad. At the time of their purchase, their immediate value to the company was slight, but in buying them the officials of the company were taking "the long look ahead." Again when Jefferson bought the territory of Louisiana from France, he scanned way beyond his own lifetime. So in investing your money in "Wall Street" you must look far into the future. When you have determined how the future will influence the investment that you may make, you will have determined whether or not it is a good investment. If the investor is watchful for opportunities, he will in many cases be able to form a sound opinion as to the early future of many stock companies.

The field is so wide and the conditions so varied that it will be best to take one line of investment securities at a time. To start with we will endeavor to give you the outlines of the basic principles which must at all times underly all efforts to invest for profit, as distinguished from pure speculation on the one hand, and on the other hand from investment for income only. We will first take the standard rails. The investor who perhaps has only a very slight knowledge of railroad statistics, can select from the list the really good rails to buy by a cursory reading of a digest of current news.

Take for instance the Pennsylvania Railroad, which has paid dividends regularly for fifty years. Owing to the standard character of the road and the relative stability of its business, the price of its stock very naturally fluctuates less than that of almost any other American railroad. In 1912, during nine months of the year, the price of this stock moved over a range of less than four points from \$122½ to \$126¼. It sold from \$99 in 1896 up to \$142 in 1899. Down to \$124 in 1900, up to \$170 in 1902; down to \$111 in 1903, up to \$148 in 1905; down to \$103 in 1907, up to \$151 in 1909, and down to \$118 in 1911. It will be seen that here were a number of opportuni-

ties for profit, in addition to interest, and that all that was necessary was foresight and the exercise of considerable sagacity.

Pennsylvania at $100

In 1896 Pennsylvania could have been bought at $100, and if carried until 1899 could have been sold at $125, making a profit of 25 points. Again it could have been bought in 1903 at $120 and sold in 1909 at $150 with a 30 point profit. It is here that the requisites, foresight, and keen intelligence came into play. To have taken advantage of either of these opportunities you would have been obliged to look into the future and determine what was likely to happen. To do this one would have to have a thorough knowledge of the location of the operating property, and natural resources of the surrounding territory, the growth in population of the territory covered, the chances for competition, the attitude of commissions, the protection of existing and future investments, gross earnings, operating expenses, net earnings, taxes, interest charges for a period of years, balance sheet showing liabilities and assets, record of rates of dividends over a series of years, records of fluctuation of prices over a series of years, how the company is handled and its finances administered. If you could determine any of these points with any degree of accuracy and then could connect them with events present and future, you could have told of these movements.

Graphical Methods

Another method of forecasting the trend of business and financial conditions is that of "Graphical Methods." This method is frequently objected to on the ground that a chart does not forecast anything, but merely tells past history, that the whole question is a mere matter of forms and shapes rather than of substantial substance and realities, and that experience is of more importance than graphic charts however comprehensive. This criticism, however, is as logically invalid as to assert that experience is more important to the mariner and weather forecaster than the compass for the mariner, and barometer to the weather forecaster. For obviously experience and mechanical devices are complementary—not supplementary—as bases of judgment on the one hand. Charts are of value only when used by men of intelligence and independent judgment, but it is equally true that the judgment of the most astute financier of long experience is of value only when based upon an accurate knowledge of fundamental conditions, and since graphic charts are perhaps the best method of picturing past experience and present tendencies in business and finance, being more dependable and clearer than tables of statistics, they are to the financial prognosticator what the compass is to the mariner and the barometer to the weather forecaster. Had a chart been properly kept of the Pennsylvania Railroad covering the period from 1896 to 1907, its wide swings in price would have been noted, and it would not have been difficult for anyone to have determined about the time to buy.

How Great Fortunes Have Been Made

Very great fortunes have been won by foretelling with accuracy the course of events anywhere from minutes to years ahead of the occurrence. Napoleon, Pittsburgh Phil and John W. Gates won fortunes in just this way, and while there is no record of any of these men having depended entirely upon charts it is not improbable that they did depend upon them very largely. Let me try to tell you how some people anticipate the course of stocks with increasing accuracy until the hits recorded for them on "Father Time's" score board obtain a larger percentage over the goose egg. If you will take the trouble to add the daily high and lows (do not bother with the mean or average figures at first) of ten respective issues, average the results by dividing by ten, and make a graphic of vertical lines, you will have before you a picture of what the market has done in general, from the last two or three months right up to today, and after you have gained some knowledge of market action past and present, you may be able to deduce what is coming. At the least you will surely have a good check on buying at the top and selling at the bottom of the intermediate swings. These

graphics may at first seem difficult to you, owing to their complexity, and most people lack the necessary acquaintance with the twin sisters "perseverance" and "patience" to maintain a daily graphic. As a matter of fact, you do not have to do the actual work yourself, for you will find thousands of starving clerks who will follow instructions faithfully in figuring out and maintaining the graphic for a few cents daily, keeping the result up to date for you at all times.

Keep a Note Book

It is not only desirable but necessary for the student of investment conditions who aims to profit from his investigations in a practical way to keep a notebook showing the progress of all of the principal railroads. With this data of hand, the investor can note any important change in the condition of any company, and by comparison with other companies, he can quickly discover whether the change is due to special conditions affecting that company alone, or is a result of more general causes which are affecting all the roads together. When the time arrives that the student has learned to keep his finger on the pulse, as it were, of each railroad system, he will begin to see many opportunities for switching his capital from a road which has stopped growing to one which is apparently just beginning to grow, or from a road which has finished a growing period to one which has completed a movement of contraction and intrenchment, and is again ready for a forward swing.

Play your own game in your own way. If the market does not suit you wait for a market that does. Do not let conditions hurry you into a commitment. Do not buy a stock just because of the infectious enthusiasm of a broker or a friend who has made money in it. What you may learn through your own observations will serve you much better than anything that could be told you. Go about it and do the work in the right way yourself, and if you will use keen judgment with the assistance of a properly kept graphic, and exercise foresight, you will have made very great strides towards determining a bargain in "Wall Street."

(In another issue opportunities in Bond and Industrial investments will be discussed.)

The Better Way

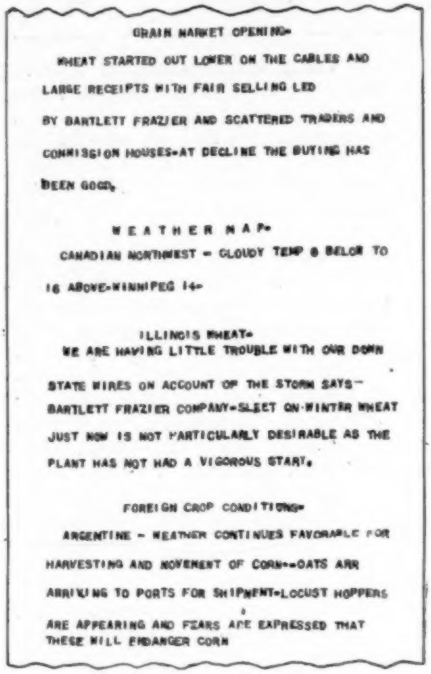
Charles M. Schwab, congratulated in Pittsburgh on a large war order contract which he had just received from one of the warring nations, said:

"Some people call it luck, but they are mistaken. Whatever success I have is due to hard work and not to luck.

"I remember a New York business man who crossed the ocean with me one winter when the whole country was suffering from hard times.

"'And you, Mr. Schwab,' the New Yorker said, 'are, like the rest of us, I suppose, hoping for better things?'

"'No, my friend,' I replied. 'No, I am not hoping for better things. I've got my sleeves rolled up and I'm working for them.'"—*Philadelphia Bulletin.*



GRAIN MARKET OPENING-

WHEAT STARTED OUT LOWER ON THE CABLES AND LARGE RECEIPTS WITH FAIR SELLING LED BY BARTLETT FRAZIER AND SCATTERED TRADERS AND COMMISSION HOUSES-AT DECLINE THE BUYING HAS BEEN GOOD.

W E A T H E R M A P-

CANADIAN NORTHWEST - CLOUDY TEMP 8 BELOW TO 16 ABOVE-WINNIPEG 14-

ILLINOIS WHEAT-

WE ARE HAVING LITTLE TROUBLE WITH OUR DOWN STATE WIRES ON ACCOUNT OF THE STORM SAYS- BARTLETT FRAZIER COMPANY-SLEET ON WINTER WHEAT JUST NOW IS NOT PARTICULARLY DESIRABLE AS THE PLANT HAS NOT HAD A VIGOROUS START.

FOREIGN CROP CONDITIONS-

ARGENTINE - WEATHER CONTINUES FAVORABLE FOR HARVESTING AND MOVEMENT OF CORN--OATS ARE ARRIVING TO PORTS FOR SHIPMENT-LOCUST HOPPERS ARE APPEARING AND FEARS ARE EXPRESSED THAT THESE WILL ENDANGER CORN

Section from News Ticker

Trading in Wheat

Regulation of Price Movements—Chicago Board of Trade—The Keystone of the Grain Business—Wheat "Corners"

By ARTHUR PRILL

Article 4

ANY buyer, in Calcutta or Berlin, whether he wants a thousand bushels or a million, needs only send his order to the Chicago Board of Trade "at the Market" and it is instantly filled. Such orders in infinite variety and number are placed and taken up in the Chicago Pit every business day, yet the result is as easy to follow as a child's game with blocks; the figures go up and —fall down. The price of the grain may rise slowly or swiftly but sooner or later it again falls. You who deal in wheat need only watch that the price accurately measures the farmer's success in meeting the world's cry for bread.

These countless offers and sales of wheat, if left to the haphazard discretion of scattered buyers and sellers would vary widely in accordance with location and individual needs; no one could arrive at a sound estimate of supply, demand or value. Hence the *Board of Trade* was organized to centralize the business within the smallest possible radius—a *Pit 37* feet in diameter and 3 feet deep. Steps lead from the circumference down toward the center and on these steps the wheat brokers stand calling and signalling, offering purchases to one another.

The active membership of the exchange is composed largely of *Commission Men* who act simply as agents for anyone who holds either actual grain or contracts good for future delivery and wants to sell. Similarly they will buy for anyone who wishes to lay in a supply.

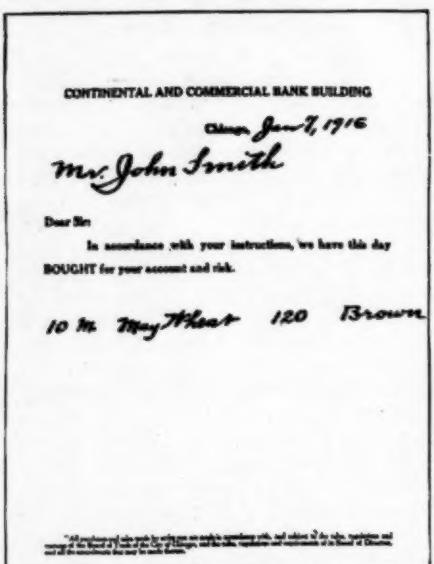
In no transaction of futures on the Board of Trade does your profit or loss make any financial difference to the broker. When he handles grain for immediate delivery for cash, it is to his interest to get the lowest obtainable price for you when you buy, and the highest price when you sell, because you will naturally be watching all other sales at the time. The broker who acts for you once can expect your custom for subsequent transactions only if his service satisfies you.

Your Account With Your Broker

At the close of every business day a *Confirmation Slip* is sent to each trader; it specifies each transaction made. Purchases are usually noted on a black slip, sales on a red slip. The precaution of a difference in colors (though these may vary in different commission houses) is taken because it has been found by experience that traders easily mistake sales for purchases, and vice versa. Hence

these are kept on separate sheets for the first notification, but several purchases may appear on one Purchase Confirmation Slip, or several sales on one Sales Confirmation Slip. The sample shows that John Smith on Jan. 7, 1916, bought 10,000 bushels May wheat at $1.20 a bu., and that the trade was made with the broker Brown, the latter acting for a client in a manner similar to that by which Blank & Blank negotiated for Smith.

When a trade is closed out, that is, when a quantity of a grain (wheat, corn


CONTINENTAL AND COMMERCIAL BANK BUILDING

Chicago Jan 7, 1916

Mr. John Smith

Dear Sir:

In accordance with your instructions, we have this day BOUGHT for your account and risk.

10 M. May Wheat 120 Brown

CONFIRMATION SLIP

or oats) is sold in equal amount to a previous purchase of the same grain, or when a purchase evens out an earlier short sale, an *Account Purchase and Sale Slip* (usually called *P & S*) is sent to the trader for each completed transaction. He may receive several P & S slips in the same mail, and also the Confirmation slips to correspond if such trades were of the same date.

Herewith is shown the record of a purchase of Ten Thousand bu. May wheat at $1.20 a bu. and subsequent sale of the same at $1.21 a bu. The broker's commission amounts to $15 for the *Round Trade,* the latter being a term covering the combined purchase and sale of the same amount of the same grain on the same exchange. A second deduction is $1.21—a Federal Tax of one cent per $100 value of transaction; $83.79 is the profit on the deal in question.

At the beginning of each month the trader receives a *Statement* of all the previous month's transactions. On the right-hand side of the specimen, the upper figure, $83.79, corresponds to the profit on the 10 May wheat trade previously noted as per P & S. On the following day a trade was closed in 5,000 bushels May wheat—top figures left side of Statement: resulting loss, $29.75. Throughout the statement the last "000" are omitted in the amounts of grain handled, and only the first letter of the month (as "J" for July) is used. "W" stands for wheat, "C" for corn, "O" for oats. The entry under date of Jan. 28 shows that John Smith drew a thousand dollars in cash.

This is an account which has been running for some time; it may be presumed that the May and July wheat noted as closed out during January already showed a satisfactory profit at the beginning of the month. A new account would require a larger margin.

The Chicago Board of Trade—Keystone of the Grain Business

The regulations of the Chicago Board of Trade cover every feature of the grain business for the best interest of all concerned. The most obvious advantage of the Exchange is the financial responsibility of its members; when you buy grain from or through them you do not risk finding a chattel mortgage on it. Uniformity of business methods is imposed and adjustment of disputes facilitated. The result is close competition and excellent service to customers. On no other commodities is the middleman's profit scaled down to so narrow a margin as on grain and cotton.

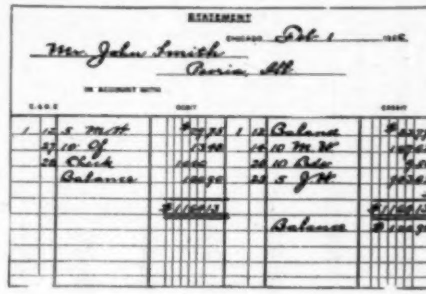
A peculiar advantage of the grain business is that its *Warehouse Receipts* are better collateral even than real estate. This is due to the Board of Trade regulation which requires elevators to file a

bond of 15 cents per bushel of their capacity for compliance with all rules. Such addition to security of loans above the market value of the grain makes these receipts highly desirable commercial paper.

The Board of Trade not only gathers crop information from all the world's fields and trading centers, but distributes it, as well as resulting prices, freely to other trading organizations, to newspapers, brokers and anyone interested, so that every investor and grower can obtain the fundamental facts of his position.

This enables the farmer who is confronted by loss in his own fields to buy intelligently and speedily from the product of other regions. When he has harvested and needs cash he can get it immediately because the crop can be stored, sold in the form of futures, later distributed at the railroad's and banker's convenience, and made into bread when the cities want it.

Were it not for the possibility of such *Future* delivery by means of the Board of Trade system, we would be confronted by the impossible problem of buying and distributing a whole year's breadstuffs in a few harvest months. If the banker could not look up future quotations he would have no accurate basis on which to lend money to those farmers who need money but are not in position to sell; the banker would be compelled to ask much greater security, a situation which implies that the farmer would get less money. Similarly the grain elevators would have to change the nature of their



BROKER'S STATEMENT

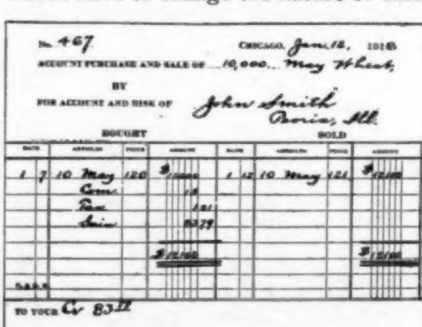
business from that of storage concerns to one of merchandising. To protect themselves against loss the present small cost of storage would necessarily be raised to a figure meeting any possible adverse fluctuation.

When under the present favorable system an elevator company buys grain which it cannot immediately sell for actual delivery, it may order the same amount sold in the Chicago pit for delivery several months away. Should the price now fall, the amount thereby lost by the elevator concern would be equalized by the grain on the future delivery sale. This is called *Hedging*.

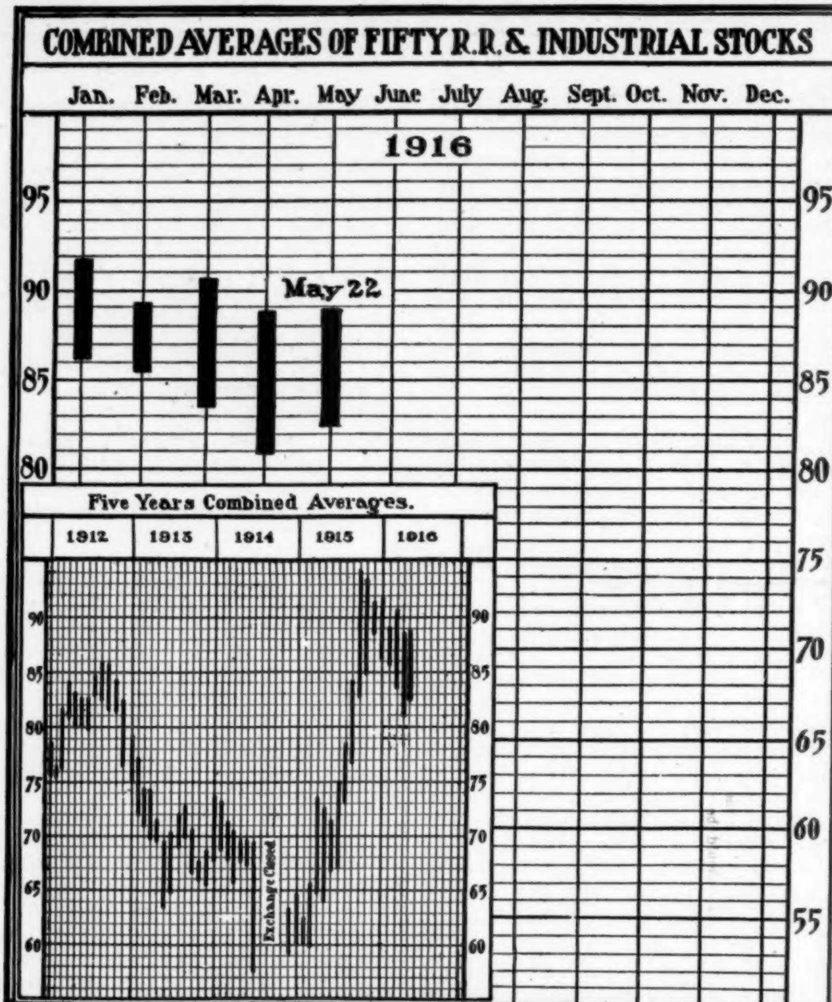
Thus, if at the time of the original trade between farmer and elevator, wheat was selling at 97 cents on the Chicago Exchange, that meant to the buyer that he could immediately sell wheat at that price. On this basis he would then deal with the farmer, the latter receiving 97 cents minus freight, insurance, etc.—charges which are essentials in every business—and minus also the cost of storage, the latter being the item for which elevator concerns exist and compete. About one cent goes to the Board of Trade member who attends to all the details of the sale.

The Elevator wires a selling order to Chicago and contracts to deliver at a future date, suiting his convenience, a quantity of wheat equal to that which he bought. He gets approximately the same price—97 cents. Now he has his expenses and storage profit covered by the difference between his buying figure, 83, and the Chicago price, 97.

(*To Be Continued*)



ACCOUNT—PURCHASE AND SALE



MARKET STATISTICS

			Dow Jones 12 Inds.	Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No issues)
Monday	May	8........	117.78	102.69	86.78	85.22	797,600	203
Tuesday	"	9........	118.02	103.08	86.19	85.24	770,100	189
Wednesday	"	10........	117.64	102.58	85.93	84.81	422,200	182
Thursday	"	11........	118.09	102.75	85.97	85.30	501,600	187
Friday	"	12........	118.64	103.70	86.78	85.68	630,400	208
Saturday	"	13........	121.03	103.97	87.01	86.43	269,500	164
Monday	"	15........	121.51	104.68	87.94	86.80	907,100	211
Tuesday	"	16........	118.66	104.43	88.08	87.17	651,800	208
Wednesday	"	17........	118.47	104.18	87.52	86.58	630,300	208
Thursday	"	18........	121.15	106.15	87.89	86.92	754,200	193
Friday	"	19........	120.10	106.97	88.90	87.43	1,286,100	215
Saturday	"	20........	120.12	107.35	88.26	87.67	287,900	164

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado & Southern 1st pfd	$0	0	25.9	34.7	27.0	17.6	19.6	4.8	12.1*	30	40.3%	Earnings improving.
Minneapolis & St. Louis pfd	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	3.2	17	18.0	Readjustment of capital.
Pitts., C., C. & St. L. com..	4	4.8	9.8	6.1	7.0	10.9	—2.0	0.9	9.38	82	11.4	Pfd. and com. share above 5%. Contr. by Penna.
New York Central	5	4.5	7.7	6.0	5.7	2.2	5.9	4.0	11.06	107	10.3	Record earnings.
Delaware & Hudson	9	5.8	12.2	12.5	12.3	13.0	14.5	10.8	14.50	154	9.4	Traffic heavy.
Atchison com	6	5.9	12.1	8.9	9.3	8.2	9.5	7.4	9.2	105	8.7	Record earnings.
Brooklyn Rapid Transit....	6	6.7	4.2	5.6	6.8	8.3	9.2	8.7	7.4	87	8.5	Earnings show increase.
Union Pacific com..........	8	5.8	19.1	19.2	16.6	13.8	15.1	13.2	11.0	138	7.9	Record earnings.
Lehigh Valley com (par $50)	5	6.1	7.4	11.5	8.3	6.6	8.5	6.3	6.1	81	7.5	Earnings good.
Penn. R. R. (par $50).......	3	5.1	5.5	4.7	4.3	4.7	4.5	3.4	4.3	58	7.5	Enjoying large freight tonnage.
Atlantic Coast Line com....	5	4.4	9.4	12.0	12.8	12.1	12.0	10.7	8.3*	112	7.4	Earnings show gains.
Great Northern pfd.........	7	6.6	8.3	8.5	8.3	10.3	11.6	9.2	8.3	122	6.7	Large equity in C., B. & Q. and Can Pacific.
Norfolk & Western com....	7	5.5	8.7	11.6	8.9	9.9	10.6	8.9	8.8	126	6.9	Controlled by Penna.
Twin City Rapid Trans. com	6	6.1	9.9	7.2	7.3	7.5	7.7	8.1	6.8	98	6.9	
Southern Pacific	6	6.0	10.2	13.0	9.6	7.9	9.8	7.5	7.2	100	7.2	Earnings good.
Minn., St. P. & S. S. M. com	7	5.8	8.8	15.7	5.3	11.1	14.7	7.8	8.3	121	6.8	Pfd. and com. share above 7%. Contr. by Can. Pac.
Northern Pacific	7	6.1	10.7	9.0	8.2	7.9	8.7	7.9	7.6	114	6.6	Gains in gross and net.
Chesapeake & Ohio com....	0	0	6.4	10.0	5.1	6.8	5.2	4.7	4.2	64	6.5	Earnings to be put back into property.
Canadian Pacific	10	5.6	8.6	16.0	17.3	19.6	19.6	14.5	11.3	177	6.3	Canadian war tax.
Chicago & Northwestern com	7	5.3	11.4	7.7	8.0	7.1	9.6	7.9	7.7	130	5.9	
Illinois Central	5	4.8	7.4	7.1	10.3	3.2	6.0	7.4	6.2	104	5.9	Business very satisfactory.
Del., Lack. & W. (par $50).	10	4.5	26.4	17.7	15.9	16.6	16.0	14.2	12.9	220	5.8	
Baltimore & Ohio com.......	5	5.4	7.1	8.9	6.9	7.6	7.2	4.5	5.4	92	5.8	Record earnings.
Reading com (par $50)......	4	3.9	6.6	8.1	6.9	6.3	11.4	6.7	5.8	103	5.6	Valuable holdings of Jersey Cen.
Louisville & Nashville......	5	3.7	14.3	17.3	14.2	15.9	12.7	9.3	6.8	129	5.2	Contr. by Atlantic Coast. Div. reduced from 7%.
Chicago Gt. Western pfd...	0	0	....	1.2	1.9	0.4	2.8	2.0	1.9	38	5.0	1% div. paid May 1st.
Buffalo, Roch. & Pittb. com	4	4.2	6.3	7.3	8.0	8.4	10.2	6.0	4.0	95	4.2	Div. reduced from 6% to 4%.
Southern Railway pfd......	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	67	4.0	Earnings excellent.
Erie 1st pfd...............	0	0	6.1	12.1	11.2	7.0	15.3	1.4	2.2*	55	4.0	Entitled to 4%. Record earnings.
Kansas City Southern com..	0	0	3.4	2.2	2.7	0.2	2.7	2.9	1.0*	27	3.7	Earnings improving.
N. Y., Ontario & Western..	0	0	2.3	2.3	2.0	0.8	2.1	1.1	1.0	28	3.5	
Chic., Mil. & St. Paul com..	5	5.1	7.2	8.0	7.1	1.6	8.6	6.3	3.3	98	3.3	Record earnings.
N. Y., N. H. & Hartford...	0	0	7.4	10.3	7.1	8.5	5.0	0	1.5	63	2.3	Earnings only fair.
St. Louis S. W. pfd.......	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	42	0	
Seaboard Air Line pfd.....	0	0	....	....	7.6	3.7	7.3	6.9	0*	40	0	Earnings gaining fast.
Missouri Pacific	0	0	1.3	3.3	—6.3	—2.4	1.9	0.1	—1.5	7	0	Reorganization.

* Estimated.

Technical and Miscellaneous Inquiries

Whose Loss?

Q.—Recently I wired my broker to sell 50 Crucible short and stated that my remittance was on the way to protect the trade. The next morning I wired him to cover my shorts the first time they showed a profit, which occurred at 10:30 A. M., but at about that time I received a wire from him saying that he would not execute the order until he had received the remittance. He later discovered that the remittance was in his office at the time he sent me the wire, but he did not make the discovery until my Crucible had been closed out on a three-point stop. Must I stand the loss?—M. B. W., Plattsburg, N. Y.

Ans.—It would appear to us that you have a good case against your broker if you are sure that he had received the money when you put in your order to cover. If the money had arrived at his office, it was certainly up to him to know about it, and if he failed to execute the order simply through an oversight, not knowing that the money was there, we believe it would only be fair and proper for him to make good any loss you sustained.

"Stops" and "Going Short"

Q.—Please explain what is meant by "going short." Are stop loss orders always necessary and desirable?—H. R. B., North Woodstock, N. H.

Ans.—By the expression "going short" is meant the selling of stock which you have not got. Your broker borrows the stock in the Street to make delivery, then if the stock declines you can buy it lower down and the difference between your selling and purchasing prices is your profit, less commission. Of course, if the stock advances, and you have to purchase higher up, you take a loss.

Long experience has demonstrated to us that the safest and, in the long run, the best way to play the stock market, is by the use of stop loss orders, as by this method your loss is limited. This method, naturally, at times means the sacrifice of profits, but in the long run it works out best. The Trend Letter endeavors to put its clients in the market only at such times when it is decidedly unlikely that the stops will be caught.

Good Delivery

Q.—Is a separate transfer of a stock certificate good delivery according to the rules of the Stock Exchange? By that I mean if A, owning say ten shares of Steel common, should make a transfer of same on a separate sheet of paper, and not on the reverse side of the stock certificate, and if that separate transfer was properly witnessed by a Stock Exchange house, could it be considered good delivery if it and the stock certificate were delivered to the transfer office, the stock certificate itself not being endorsed on the reverse side?

If not considered "good delivery" according to New York Stock Exchange rules, and according to the above idea, would the transfer office refuse to transfer the stock if it was presented to them by the holder, and not through a Stock Exchange house?—R. F. A., New York City.

Ans.—A stock certificate not signed on the back, but accompanied by a separate paper properly signed and witnessed and containing practically the same words that are on the back of the certificate, is a good transfer but not a good delivery. That is to say, the transfer office would transfer the stock if presented in this way, but it would not be accepted as good delivery by a Stock Exchange house.

Endorsing in Blank

Q.—I own some bonds and stocks certificates. Will you please explain to me what endorsing in blank means?—F. M. H., Greenville, N. Y.

Ans.—By endorsing a certificate in blank it becomes negotiable, that is to say, anyone who gets possession of the certificate can fill in his name and the certificate becomes his. To endorse your certificate in blank you write your name in the place designated exactly the same as it appears on the front of the certificate. In case of death, your executor can sell the certificate or make it over to anyone your will designates without any trouble. If bonds are registered they cannot be treated in this way.

Canadian War Tax

Q.—Would the Canadian War Tax be removed in the event of peace?—P. C., Brooklyn, N. Y.

Ans.—In regard to the Canadian War Tax, peace would be very unlikely to cause the immediate withdrawal of the Tax, but the sooner peace is restored the sooner the Tax will be withdrawn, although it is likely to run on some time after peace is declared. The ending of the war might have the effect of reducing the earnings of International Nickel to a small degree, but it would be very unlikely to cause any drastic cut in its income as the price of nickel metal has not been advanced as a result of the war. So that, when the war is over, there will not be a decline of any importance in this metal.

——The foundation of wealth is the first $100 well invested.—J. P. Morgan.

COTTON AND GRAIN

Would Peace Break Wheat?

By P. S. KRECKER

WHAT the effect of an early peace in Europe would be on the wheat market is a question which has been agitating the trade recently. It is natural that this possibility should be considered in view of the persistent talk of efforts to end the war. It is doubted in many quarters that there will be a cessation of hostilities soon; the view entertained in them is that the war will stretch through the entire year and may run into 1917. But it is recognized that the war may end suddenly. If it should, would wheat break or advance?

Judging by the action of the market during the period when peace rumors were most freely circulated, the trade fears that a decline in the value of wheat would ensue upon the consummation of peace. In the face of bullish crop news the market manifested reactionary tendencies. Had any definite step been taken towards ending hostilities there no doubt would have been a sharp break.

It must be admitted that in the past the wheat market has invariably broken badly when important wars ended. This historical fact was pointed out by the writer in an article on inflation caused by wars, and it was shown that deflation in values is a certain consequence of the end of war. But the additional fact was brought out that, following the bursting of the bubble of inflation, wheat values have almost invariably enjoyed a secondary rise, which in some instances has equalled the highest prices previously attained. There is no reason to believe that the present war would prove any exception to this rule. Wheat is selling now at war prices, that is, it is commanding a value 20 to 30 cents above the average. Declaration of peace would apparently remove the cause of this inflation, and there would be a sharp contraction in prices. But the writer believes that this deflation would be only temporary and that there would be a fresh advance in values because the consummation of peace would not immediately remedy the economic conditions which are the foundation of the present era of high prices. The reasons for this conclusion may be enumerated briefly as three:

First, the curtailment in production in Europe caused by the drain the war has made upon farm labor.

Second, the acute shortage in supplies of grain which must exist in the Central Powers by reason of their isolation from the outside world.

Third, the prospect, so plain that it amounts almost to a certainty, that the production of North America will be sharply reduced this year.

If peace were to be declared to-morrow that event would not add one bushel to the yield of grain in the war stricken wheat fields of Europe, for the planting season is past and the release of labor, now under arms, could not alter this situation. It has been pointed out in previous articles that there is every prospect of a sharp reduction this year from the European wheat harvests of last season. That reduction would remain a fact. The world's supplies of the cereal would not be increased and the same necessity for wheat that exists now would continue to exist. It might be accentuated.

There is no question that the Teutonic nations are living on short rations. It is easily demonstrable by figures that their stocks of wheat have been badly depleted. Austria produced only 170,453,000 bushels of wheat in 1914, the first year of the war, and produced 230,934,000 bushels last year, a total of a little more than 400,000,000 bushels of wheat or an average of 200,000,000 bushels for the past two years. As Austria normally grows nearly 250,000,000 bushels of wheat a year, there has been a deficit the past two years of 100,000,000 bushels. Add a probable further deficit this year of 50,000,000 bushels and it is seen that

Austria is short upwards of 150,000,000 bushels of her usual three-years supply.

Germany has been able better to maintain her average production. She harvested 145,944,000 bushels of wheat in 1914 and 160,000,000 last year, or 305,944,000 bushels the two years of the war, an average of more than 150,000,000 bushels a year. This falls short of normal production by only about 30,000,000 bushels. If the average deficit is maintained this season, there would be a shortage of say, 45,000,000 bushels. But Germany is not self-sufficient in wheat production. She is a large importer, with an average of about 40,000,000 bushels a year. She was wholly unable to import wheat the last two years, so that her shortage from that source alone would reach 80,000,000 bushels. Since she blasted a gateway through Serbia to the Balkans, the supplies of Roumania have been available but must have fallen far short of supplying her needs. It may be assumed that Germany's three-year deficit, including the shortage of her own harvests, will approximate 140,000,000 bushels. The combined three-year deficit of the two Central Powers undoubtedly will approximate 300,000,000 bushels.

Assuming for the sake of argument that the rest of Europe produces 200,000,000 bushels less than normal this year, and it can be figured that Europe's combined deficit of wheat would be 500,000,000 bushels, should the war end tomorrow.

There is no wheat to be added to the known available supplies except that which Russia has been holding in dead storage for two years and what surplus she may grow this year. The consummation of peace would open the floodgates and release this wheat. How much of the surplus of the two last years is yet available for consummation may only be guessed. Russia's estimated production in 1914 was 816,558,000 bushels and in 1915 was 761,612,000 bushels. Possibly 300,000,000 of this would have been available for export had it been possible to get it out of the country. It is doubtful if anything like that surplus still remains from the two harvests mentioned. There must have been enormous loss through insufficient storage facilities. Roumania's surplus has already gone to feed the hungry Teutons.

The wheat harvests of North America are certain to be much smaller this year than last. Estimates of the combined shortage of Winter and Spring wheat crops range around 300,000,000 bushels. This, the writer believes, is a conservative figure judging from known data about the new crops. It is subject, of course, to revision when more is known about the Spring wheat crops of the United States and Canada. If the carry-over from last year should total 150,000,000 bushels, as some authorities estimate, there would be a net reduction in production from North America of 150,000,000 bushels. In a subsequent article the writer will deal with the probable reduction in world's production of wheat. What has been said here should be sufficient to show that world's needs would be considerably larger than probable supplies. That situation would justify the conclusion that a break in wheat value in the event of peace would be short-lived and would be followed by a renewed advance.

Peace Would Boost Cotton

By C. T. REVERE

AROUND the high point of the recent advance in the cotton market, prices for the new crop months were higher than they have been during the month of May for any time since the cotton scarcity felt throughout the country immediately after the ending of the Civil War. Not since the '70s have Oc-

tober, December and January sold so high during the height of the planting season.

As outlined in the latest issue of THE MAGAZINE OF WALL STREET, the incentive for the buying has been furnished chiefly by expectations and confident predictions of an early ending of the war in Europe. Color has been lent to this assumption by rumors, but reports bearing the stamp of greater or less reliability that German interests have made contracts for several hundred thousand bales of cotton to be delivered late in the present calendar year or, where no such time limit has been set, within sixty days after the signing of a peace armistice.

There is no denying the fact that the talk of peace has been the leading influence in encouraging buying by outsiders. It is probable, however, that the market leaders have based their operations on something more tangible, such as the existence of a large short interest, the belief that the South would report a moderate increase in acreage and that with the mounting tendency of prices, the usual disposition to send in calamitous reports would help in boosting prices.

It is not the province of this article to forecast the date of the ending of the war. The propaganda in favor of peace emanates largely from Germany and this agitation does not seem to meet with much sympathy in any of the official circles of the Allies. The continued suggestion, however, may bring about an earlier cessation of hostilities than might develop if the subject were not discussed at all. It is only fair to state, however, that if there are signs of a termination of the war within the next few months, cotton would work materially higher, although of course the advance might not be maintained. At present, Germany is said to have placed a maximum limit of $1 per pound on cotton, which is testimony of the urgent need of the staple within the empire. It also goes to show that for certain textile purposes no fibre in the world will take the place of cotton.

The advance in price has brought out more cotton from the South, and the movement into sight for the first time in several months last week was larger than it was a year ago. The amount of cotton brought into sight last week was 140,952 bales against 130,142 bales for the same week in 1915. Spinners' takings were 259,000 against 233,000 last year. These figures indicate not only that the South is willing to sell freely on advances, but also that spinners who had not filled their requirements were showing more or less anxiety as a result of the advance. Recently, however, there has been less buying by manufacturers, notably those in the New England section.

It is impossible to get an accurate line on the new crop. There is very little agreement upon the increase in acreage except among those statisticians who get their information through replies sent in by the planters themselves. These returns show a moderate increase and it is doubtful whether the average opinion calls for a larger increase than 9 per cent. It is the opinion of the writer, however, that the increase will be much larger than this whether the Washington authorities take official cognizance of the present tendency or not. With prices around this almost unprecedentedly high level, there certainly is no incentive for holding acreage down.

The reduction in the use of fertilizers, it is felt, will be rather marked. The average of opinion calls for a reduction of approximately 20 per cent. Just how much this may be offset by improved cultural methods is a question. With better plowing and more careful cultivation, a big crop can be produced provided the season is favorable. The weather has not been all that could be desired, although veterans throughout the trade are placing little confidence in complaints based on damage produced by a dry May. The two largest crops on record came in a season which was characterized by no end of complaints regarding drouth during May with great emphasis laid upon the failure of seed to germinate. These were the seasons of 1911-12 and 1914-15. The statement can be verified by a research of any of the trade newspapers publishing the usual quantity of cotton gossip from the South.

Wall Street Jottings

Thomas Aeroplane Company

The Thomas Aeroplane Company, now being organized, will take over the entire business and property of the Thomas Bros. Aeroplane Company and the Thomas Aeromotor Company. A public offering of stock will shortly be made.

The new company will have facilities for building 200 complete aeroplanes and 400 engines every year, and will be managed by men widely experienced in the industry.

Russell Law Advertising Agency

The Russell Law Advertising Agency, which specializes in financial advertising, has recently secured the services of Frank D. Cruikshank as Manager of their Copy and Plan Department. They have also secured the services of Walter Thompson, Jr., an authority on foreign exchange. The agency has recently moved to larger quarters at 52 Broadway.

The Twenty Payment Plan

The increase in the price of copper metal has stimulated the interest of investors in the copper stocks so that the booklet on dividend paying coppers published by Slattery & Company, 40 Exchange Place, New York, will be most valuable to those interested. Upon request for this booklet 17-MW will be forwarded also the booklet explaining the "Twenty Payment Plan," which enables one to buy bonds, N. Y. Stock Exchange securities, Curb Market, and active unlisted securities with a small initial payment followed by convenient monthly payments.

Sinclair Oil & Refining Company

The First Lien Convertible 6% Bonds which are shortly to be offered are to be 10-year sinking fund bonds, and will combine investment features with most promising possibilities through their convertibility into stock on which it is estimated over $13 per share will be earned. Morton Lachenbruch & Co., Equitable Bldg., New York, have in preparation a descriptive letter which will be mailed in the near future upon application for Letter "L."

List of Public Utility Investments

H. F. McConnell & Co., 25 Pine Street, New York, are issuing a "Select List of Public Utility Investments," in brochure form. The booklet contains with regard to each company mentioned, the territory served, capitalization, comparative earnings statistics, etc., and froms on the whole a most complete reference manual for the investor interested in this class of security.

Odd Lot Buying

The booklet "Odd Lot Buying," issued by Hartshorne & Picabia, of 7 Wall Street, New York City, differs to a great extent from those issued by most other firms doing business in odd lots of stock. The firm offers special inducements in the way of advice to small investors. Copies of the booklet may be obtained by anyone interested. In writing please mention THE MAGAZINE OF WALL STREET.

Will the Railroads Come Back?

Under this title Jas. H. Oliphant & Co., 61 Broadway, have issued an attractive and valuable booklet written by Lockwood Barr. It involves a discussion of the moot question as to whether the railroads will again assume their former position as market leaders and whether railroad securities will again become the chief medium of investment for the conservative. When writing mention THE MAGAZINE OF WALL STREET.

Oil Stocks

The weekly market letter of Douglas Fenwick & Co., of 34 Wall Street, reviewing the oil market and the general oil conditions, has reviews of the Interstate Oil Co., the Sapulpa Refining Co., the Standard Oil Co., of Indiana, and Tidewater Oil Co., and the latest developments with respect to these and other companies. Copies will be sent upon mention of THE MAGAZINE OF WALL STREET.

Returns from Oatman

Mr. Hugh Creighton, formerly associated with W. E. Hutton & Co., now with Carroll Felter & Co., 74 Broadway, has just returned from a six-weeks' investigation of the new Oatman Mining Camp in Arizona. Mr. Creighton anticipates a big mining boom in the Oatman Camp that will surpass Goldfield at its height.

Birth of "The Lamb"

It is with interest and pleasure that we note the advent of "The Lamb," a humorous fortnightly financial publication which might aptly be termed the "Life" of Wall Street. A. Newton Plummer, whose analytical articles are familiar to the readers of THE MAGAZINE OF WALL STREET, is editor and publisher. Notwithstanding the high price of mutton "The Lamb" sells for ten cents a copy and its breezy humor and spicy comment are worth several times that price. We take pleasure in being among the first to welcome this newcomer in the publishing world, at the same time expressing the wish and belief that its wool will never grow less.